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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 326 **October, 1987**

Business in Virginia September, 1987 Data

New car registrations in September continued their headlong plunge compared to last year. We had expected an 8 to 10 percent decline. The actual result was a decrease of 24.2 percent statewide. All seventeen of the urban areas we cover experienced declines, with the smallest drop being 9.3 percent in the Winchester area and decreases of at least 19 percent everywhere else. Automobile demand definitely is well below last year's levels, down almost 10 percent for the first three quarters of 1987 versus the same period in 1986. The fourth quarter outlook prior to the record stock market plunge was for new car demand to be lower than last year, especially in December.

National retail sales data for September show a general decline in durable goods demand, -7.8 percent compared to September 1986. Low auto sales accounted for most of the drop. However, construction-related demand growth nearly stopped in August and September nationally. For September, the nation saw no growth in sales by building material and hardware stores, and only a 0.3 percent increase in sales by furniture, home furnishings, and equipment stores. By contrast, stores selling nondurable goods (such as apparel) experienced a 5.3 percent September gain.

Virginia consumers seem to be following the national pattern. Our own retail sales sample consists mainly of general merchandise stores selling primarily nondurable goods. The lagged retail sales data from the Virginia Department of Taxation represents the sales of all types of dealers paying the general sales tax, including building material, furniture, and equipment stores. In August our sample recorded a 0.2 percent decrease statewide in sales per store. The August taxable sales data now available showed a 6.6 percent decline. We believe the larger drop in the taxable sales figures came from a pronounced decline in purchases of construction-related durable goods.

General merchandise sales in Virginia did rebound in September, growing 2.7 percent. Labor Day being a week later this year than last did boost September sales, from tourists as well as residents. However, we continue to feel any retail sales growth is coming mainly from nondurable goods demand, with durable goods demand remaining weak.

Building permits jumped in some areas in September, yielding a statewide level for our sample only 0.9 percent below last year. The cumulative year-to-date result is an 11.5 percent decline, still pointing to lower construction activity.

We also have witnessed two monthly declines in bank debits: -9.0 percent in August and -3.6 percent in September. This is another sign of slowing economic growth.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

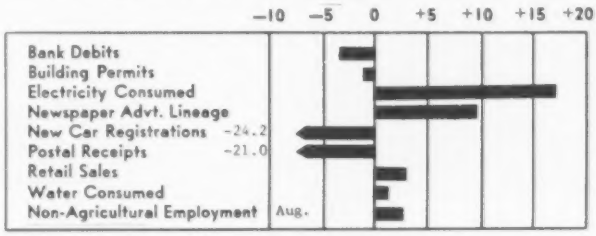
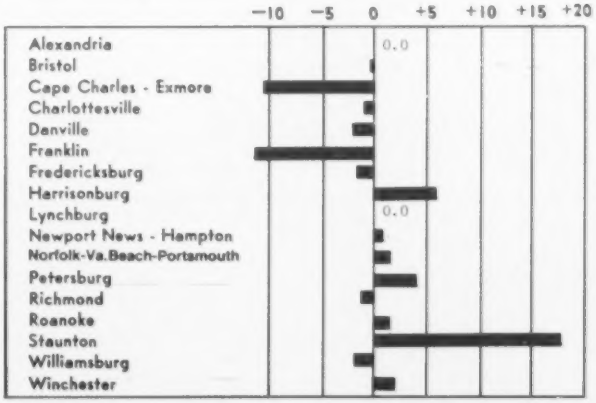


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I September 1987

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		388.9	168.5	160.7	113.4	170.6	13.8	98.4	182.4	344.4
Alexandria	201.3	438.9	323.3	181.4	N.A.	150.4	184.3	105.9	262.4	N.A.
Bristol	120.7	N.A.	N.A.	100.1	73.2	113.8	113.1	151.4	138.0	N.A.
Cape Charles - Exmore	136.7	N.A.	397.5	152.9	N.A.	95.9	N.A.	N.A.	123.4	201.3
Charlottesville	209.6	151.7	404.6	147.6	N.A.	119.7	103.6	140.9	287.3	303.2
Danville	127.8	N.A.	518.8	123.1	138.1	84.6	95.3	87.6	N.A.	237.8
Franklin	130.1	N.A.	165.7	117.6	116.0	100.0	N.A.	95.1	128.1	227.9
Fredericksburg	352.4	198.8	228.4	N.A.	173.4	178.5	N.A.	89.3	309.0	1098.9
Harrisonburg	201.6	272.3	278.7	N.A.	159.2	102.2	N.A.	136.1	267.8	301.4
Lynchburg	246.2	320.8	145.4	133.6	N.A.	106.4	96.4	139.2	219.8	834.8
Newport News - Hampton	146.1	N.A.	242.8	147.2	40.1	119.1	139.8	125.5	198.9	N.A.
Norfolk - Portsmouth	201.2	506.4	204.3	184.3	N.A.	115.9	N.A.	91.5	271.8	N.A.
Petersburg	145.8	273.4	663.4	N.A.	34.0	84.2	128.1	115.6	193.5	223.8
Richmond	178.6	416.1	N.A.	163.4	129.7	116.2	N.A.	110.6	200.2	308.6
Roanoke	184.3	361.9	140.6	116.3	180.0	82.4	124.4	103.1	240.3	331.7
Staunton	171.6	170.4	222.7	N.A.	86.0	92.9	N.A.	N.A.	184.7	296.4
Williamsburg	201.3	163.1	473.2	199.0	N.A.	166.1	N.A.	110.0	194.3	351.0
Winchester	170.7	396.6	64.3	140.9	215.7	155.6	N.A.	N.A.	N.A.	N.A.

TABLE II September, 1987

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	August NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	August RETAIL SALES ‡
The State		-3.6	-0.9	17.3	9.2	-24.2	2.6	0.9	2.7	-6.6
Alexandria	0.0	24.9	92.2	20.2	N.A.	-19.8	4.3	13.1	-0.4	-16.5
Bristol	-0.1	N.A.	N.A.	10.4	-0.8	-25.1	3.9	16.9	-3.2	-11.6
Cape Charles - Exmore	-10.3	N.A.	92.8	19.6	N.A.	-25.3	N.A.	-36.1	-5.5	-13.7
Charlottesville	-1.0	-51.3	76.7	19.8	N.A.	-40.1	2.0	3.1	7.0	-13.6
Danville	-2.0	N.A.	539.7	4.6	21.8	-38.6	1.2	4.6	N.A.	-5.6
Franklin	-11.3	N.A.	-16.5	6.1	-1.5	-66.5	N.A.	-12.7	-9.4	12.3
Fredericksburg	-1.5	11.3	143.7	N.A.	12.9	-28.4	N.A.	19.2	7.8	-16.4
Harrisonburg	5.9	-13.9	-48.9	N.A.	24.6	-20.2	N.A.	14.3	5.5	6.3
Lynchburg	0.0	-19.3	17.4	10.2	N.A.	-27.2	1.7	11.4	0.9	1.5
Newport News - Hampton	0.5	N.A.	-48.4	14.4	6.0]	-19.6	2.5]	-5.9	6.5	-12.3
Norfolk - Va. Beach - Portsmouth	1.5	-6.9	-0.6	28.3		-22.2		0.5	2.4	-8.4
Petersburg	4.0	2.3	115.2	N.A.	20.4	-27.6	3.6]	20.1	9.0	-10.8
Richmond	-1.1	0.0	N.A.	9.8	11.0	-26.7		-3.5	-0.7	-2.2
Roanoke	1.5	-19.2	52.8	12.9	8.8	-28.4	3.2	3.3	5.1	-1.7
Staunton	18.1	18.3	-30.6	N.A.	10.4	-29.2	N.A.	N.A.	39.1	10.1
Williamsburg	-2.0	-9.9	20.0	22.0	N.A.	-23.4	N.A.	-14.6	11.1	-31.1
Winchester	1.8	13.5	-25.2	7.2	3.3	-9.3	N.A.	N.A.	N.A.	-8.5

TABLE III

Percentage Change January - September from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Aug. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Jan.-Aug. RETAIL SALES ‡
The State		12.6	-11.5	8.2	3.1	-9.7	2.6	0.3	3.4	7.6
Alexandria	2.6	40.9	77.7	12.4	N.A.	-8.8	3.8	2.3	1.1	7.4
Bristol	-3.3	N.A.	N.A.	0.6	-4.7	-19.1	5.1	7.1	-6.4	0.7
Cape Charles - Exmore	0.7	N.A.	-12.8	3.6	N.A.	-22.9	N.A.	1.1	4.4	10.1
Charlottesville	1.1	-4.0	41.6	9.7	N.A.	-15.9	0.3	1.0	1.9	8.1
Danville	-1.4	N.A.	8.2	6.6	-17.3	1.6	-5.9	N.A.	0.2	
Franklin	1.1	N.A.	-32.9	8.2	6.5	-36.6	N.A.	1.6	-1.4	33.8
Fredericksburg	6.9	39.2	149.6	N.A.	12.9	-6.3	N.A.	12.4	6.6	9.2
Harrisonburg	4.0	-7.1	21.9	N.A.	6.2	-15.3	N.A.	7.2	4.7	15.9
Lynchburg	-0.1	-11.0	15.8	5.9	N.A.	-12.5	1.0	-6.1	1.6	6.1
Newport News - Hampton	1.4	N.A.	-36.1	5.5	3.9]	-8.9	2.8]	-4.5	2.7	5.8
Norfolk - Va. Beach - Portsmouth	3.1	21.3	-24.4	6.8		-4.9		2.2	4.5	3.3
Petersburg	3.5	10.0	-21.4	N.A.	N.A.	-8.1	3.9]	6.0	6.1	4.7
Richmond	2.6	15.4	N.A.	7.8	5.1	-6.4		-0.5	1.2	9.9
Roanoke	0.2	-16.9	7.0	2.6	-1.0	-19.6	3.6	0.4	5.3	-0.1
Staunton	13.2	13.1	26.9	N.A.	N.A.	-16.9	N.A.	N.A.	24.1	10.8
Williamsburg	3.3	15.3	-49.5	7.9	N.A.	-14.2	N.A.	-5.6	7.4	13.1
Winchester	0.6	-25.8	342.6	5.7	-1.6	-13.6	N.A.	N.A.	N.A.	11.8

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

#Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

-Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

The nonagricultural employment figures for August showed a 2.6 percent increase in payroll jobs. Definite growth, but the fourth consecutive month the rate has been under 3 percent.

In sum, the recent monthly data for Virginia confirm that Virgini'a growth is continuing to decelerate. The signs also have pointed towards further deceleration in the fourth quarter, with declines in some sectors such as construction and new car sales, even before the October stock market crash. With or without some additional restraint in consumer spending in the wake of the stock market gyrations, fourth quarter growth in Virginia will be modest. RLP

Joint Ventures for Affordable Housing

Herrington J. Bryce
Commonwealth Professor of Business Administration
College of William and Mary

City after city reports the need for providing more affordable housing. It is not merely that home ownership has gone beyond the reach of many, but that the economic wellbeing of many cities is tied to their ability to provide housing that is needed to attract workers, to shelter the elderly, to attract and to retain businesses, and generate tax revenues.

Many of these same cities — large and small — have substantial stocks of abandoned homes which impair the attraction of the city, its communities and neighborhoods, cost millions of dollars to protect and millions more in lost revenues since these abandoned units produce no tax dollars.

Rehabilitation of these housing stocks has been one major approach to bringing these unused houses back on the tax rolls and to answering the quest for affordable housing. Rehabilitation is not as expensive as new housing starts, and rehabilitation that includes the public and nonprofit sectors usually assures that some of the units will be made available to the needy, elderly and the young. Rehabilitation also tends to retain the character of a neighborhood — often an important consideration.

In recent decades, a substantial part of rehabilitation has been financed by the federal government. With budget tightening, at least two developments have occurred in financing rehabilitation. Government agencies dependent on federal monies have become more efficient, and nonprofit groups have become more imaginative in working with the private sector to provide housing with limited federal dollar contributions.

An example of the first is the Newport News Redevelopment and Housing Authority which was named in 1986 by the U.S. Department of Housing and Urban Development as an outstanding manager of public and assisted housing. This Authority, through contract with the City of Newport News, administers federal dollars which are used to make loans to homeowners for housing rehabilitation and matching grants for the rehabilitation of rental units.

An example of the second approach is an agreement that involves the City of New York, the State of New York, Enterprise Foundation (a nonprofit), its subsidiary Social Investment Corporation (a for-profit), the Federal National Mortgage Association (a for-profit) and eligible community development corporations (nonprofits) and their for-profit subsidiaries. Here is how it will work.

The City of New York has agreed to provide 1,000 rental units which it has in its possession because their owners have failed to pay taxes and which are presently unfit for rental. As is, the City not only loses because these properties are not on the tax roll, but the abandoned properties are havens for crime and fire and are a blight on the City.

The recycling process will begin with a community development organization submitting a proposal to the City and State to get the units rehabilitated and eventually occupied and managed.

The City and the State will make a loan at 1 percent for the initial investment in the rehabilitation project. Because the loans provide that regular payments of the principal do not have to be made, future rent charges can be held comparatively low and yet some cashflow may be provided.

The community development organization then submits its proposal to Enterprise Foundation, a nonprofit, for evaluation. Should Enterprise conclude that this is a viable project which can gain private investor interests, it passes it on to Social Investment Corporation (a for-profit subsidiary of Enterprise) to raise the remainder of the funds needed to do the rehabilitation.

Now, the remainder of the costs of rehabilitation (usually a minimum of 25 percent) is obtained from private sources. The Social Investment Corporation will sell equity or ownership interests to for-profit corporations. Thus, the Federal National Mortgage Corporation (Fannie Mae) has agreed to invest up to $28,000,000 through the purchase of ownership interests in these properties. The proceeds from the sale of these interests to Fannie Mae by Social Investment Corporation will provide the additional funds needed for rehabilitating these and future units.

Notice that there is no gift. Fannie Mae becomes a limited partner in a deal in which ultimately the community development corporation will form a subsidiary to be the general partner.

By going this route rather than making itself, a nonprofit, the general partner, the community development corporation avoids financial disaster if the project fails. It also puts itself in a superior position to avoid mixing the daily trials and tribulations of running a nonprofit with those of running a hard and difficult business.

What are the incentives for each of these partners? Yes, the City does get increased taxes and so does the State. The neighborhoods and people get better housing. The private developers who do the physical rehabilitation get jobs and profits. Enterprise Foundation gets to fulfill its mission and may obtain dividends from Social Investment Corporation. The lat-

ter gets a fee for syndicating the interests and for putting together the deal.

What does the private investor such as Fannie Mae get? It gets tax credits. It may reduce its total tax liability to the federal government for each of the next nine years by 9 percent of the qualified rehabilitation costs. Almost all of the tax credits generated by the project will go to the private investors.

Let us take another look at this financing structure. It is particularly attractive to corporations or individuals seeking tax credits. The typical private real estate investment offers possibilities of returns through cashflow (monthly net income through rents that exceed operating costs), capital appreciation (or capital gains when the property is sold for a price higher than acquisition and rehabilitation costs), and tax benefits (principally through depreciation and tax credits). Traditionally, low income property offers limited opportunities for cashflow because rents are low relative to expenses and appreciation is limited or nonexistent. These New York properties are no exceptions.

But tax credits are important considerations because they do not rely on charging high rents to low-income persons in order for the private investor to get an attractive return. Investors not heavily dependent upon immediate cashflow can obtain an acceptable return by using the tax credits to increase their income retention after taxes.

Similar projects are being conducted in such cities as Cleveland, Ohio, Pittsburgh and Philadelphia, Pennsylvania and Oakland, California. Sohio and Sun Oil Companies are among the for-profit firms that have made investments in these projects.

As I discussed in my book, Financial and Strategic Management for Nonprofit Organizations (Prentice-Hall 1987), in setting up a joint venture between a for-profit and a nonprofit, some general rules should be observed. The New York City case is an excellent example of these rules in action. (1) The nonprofit should not depart from its general charitable purpose. (2) The assets of the nonprofit should not be exposed to losses by the for-profit partners. (3) The nonprofits must remain outside of the control of the for-profit partner. (4) Revenues to the nonprofit must be dedicated solely to the advancement of its mission and cannot be distributed to individuals as owners. (5) There must be a demonstrative benefit or purpose from forming the partnership. (6) Both the for-profit partner and the nonprofit may realize profits from the venture, but only the for-profit partner may enter into this arrangement motivated primarily or exclusively by the profit motive.

As more managers and boards of directors of nonprofit organizations and for-profit firms come to appreciate that there are mutual benefits from these strategies and as governments come to appreicate their role as a facilitator, more such ventures may be undertaken which, together with the traditional government approach, may enable us to meet the nation's housing needs.

I am grateful to Heidi Most of Enterprise for her cooperation. HJB

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John C. Jamison, Dean, School of Business Administration

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VIRGINIA BUSINESS REPORT

Eleven issues of the Report are published annually, with no December issue. Therefore, we take this opportunity to wish all of our readers a Happy New Year.

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 327 **November, 1987**

Business in Virginia October, 1987 Data

Building permits in Virginia urban areas soared in October, up 24.1 percent compared to the same month last year. More planned construction is welcome news. We do not interpret this surge, however, as indicating a reversal of the downward trend in building permits has occurred. For the year to date, the dollar value of permits still is down 10.8 percent from the same period last year. Both national and state economic conditions point to declines into 1988.

New car registrations continued to fall in October, by a more modest 12.4 percent than last month's 24.2 percent dive. Here, too, the declines are not over. At least in December, registrations will be well below last year's levels, and further decreases are likely in 1988.

Our sample of retail stores experienced flat sales in October, down 0.2 percent from last October. Not a good sign, but in itself not a clear sign of a general consumer cutback in Virginia.

The lagged September results for general retail sales showed an amazing 20.5 percent gain compared to September 1987, with all of the urban areas experiencing double-digit growth. As we commented last month, a major reason for the large increase was the full week delay of Labor Day this year, adding tourist as well as resident back-to-school spending to the month's sales. On the other hand, payroll job growth in September continued on its recent course of deceleration with a 2.5 percent gain, the fifth consecutive month of growth rates under 3 percent.

In general, the most recent monthly data contained several surprises, offering little aid in finalizing our forecasts for 1988. RLP

The National Economic Outlook

The October 19 stock market crash was a shock that caused governments, businesses, and households to pause and reconsider their outlook and plans for the future. Economists have been busy ever since, evaluating the probable repercussions, reviewing and remolding their forecasts.

The emerging consensus among forecasters is the nation's real output growth will be lower in 1988 than expected before the crash. The November 10 issue of *Blue Chip Economic Indicators* gives the early November predictions of 49 forecasters. The November average of their real Gross National Product (GNP) forecasts for 1988 was 1.9 percent, down 0.9 percentage points from their October average of 2.8 percent, with 44 of the 49 prognosticators having lowered their forecasts. The consensus also shows, however, that most of them have concluded the dampening effects will be rather small, not sufficient to produce a recession in 1988. The verdict so far seems to be that the economy walked away from the crash somewhat dazed with visible but not life-threatening injuries. The economic expansion, now 60 months old and the longest U. S. peacetime expansion on record, appears to be sufficiently healthy to run for

Chart I

Nine Selected Business & Economic Indicators Percentage Change

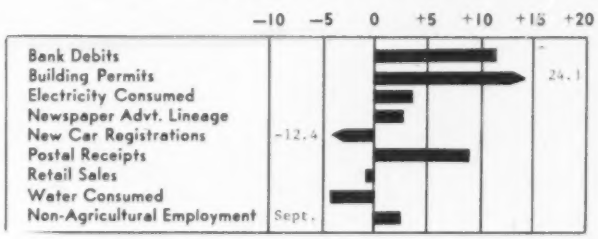

Chart II

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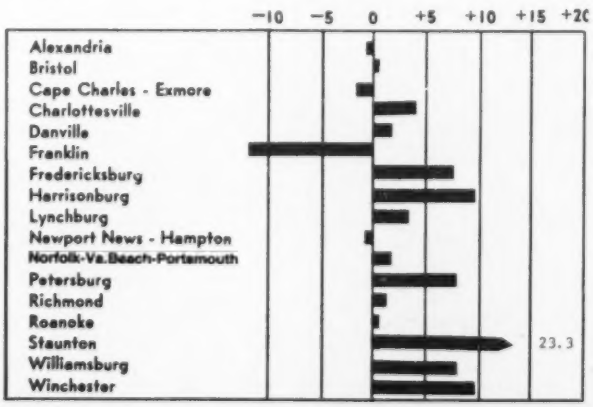

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Bristol	146.2	N.A.	107.7	92.2	N.A.	61.0	115.0	130.5	133.7	350.0
Cape Charles - Exmore	87.5	N.A.	536.5	127.8	N.A.	91.0	N.A.	N.A.	111.0	195.2
Charlottesville	195.3	108.4 ♦	152.0	129.0	N.A.	112.2	107.0	134.2	261.9	294.5
Danville	124.4	N.A.	144.8	116.4	N.A.	82.2	98.8	88.2	N.A.	236.2
Franklin	150.7	N.A.	133.9	113.7	145.2	78.7	N.A.	86.4	142.8	355.3
Fredericksburg	287.3	215.7	124.2	N.A.	199.5	186.1	N.A.	84.1	99.8	1241.7
Harrisonburg	185.1	265.9	444.1	N.A.	163.0	95.2	N.A.	157.1	187.1	319.3
Lynchburg	258.7	254.5	93.4	116.5	N.A.	81.4	99.3	123.4	173.2	1129.5
Newport News - Hampton	137.4	N.A.	208.5	118.3	101.6]	89.9	139.5]	115.3	178.1	N.A.
Norfolk - Portsmouth	190.1	503.9	200.3	150.5		109.3		90.3	263.4	N.A.
Petersburg	145.1	186.8	126.7	N.A.	35.3	82.8	128.6]	119.9	181.7	248.7
Richmond	162.3	354.2	321.8	153.5	135.2	112.1		110.9	150.6	335.0
Roanoke	151.9	341.4	82.6	102.4	184.1	75.2	124.3	100.6	139.6	361.8
Staunton	145.1	106.6	555.0	N.A.	89.5	80.9	N.A.	N.A.	150.1	242.0
Williamsburg	170.5	N.A.	312.6	174.4	N.A.	157.6	N.A.	105.4	136.4	346.7
Winchester	172.3	430.0	328.8	131.2	247.9	137.9	N.A.	N.A.	N.A.	N.A.

TABLE II October 1987

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Sept. NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	Sept. RETAIL SALES ‡
The State	-	11.1	24.1	3.6	2.9	-12.4	2.5	-6.1	-0.2	20.5
Alexandria	-0.3	23.2	48.6	3.9	N.A.	-16.4	3.7	-5.9	-3.2	22.1
Bristol	0.3	N.A.	95.7	21.1	N.A.	-16.8	5.4	14.0	-10.8	11.1
Cape Charles - Exmore	-1.2	N.A.	324.9	6.8	N.A.	-13.2	N.A.	-35.2	4.6	19.1
Charlottesville	4.2	0.5	-1.6	0.3	N.A.	-20.5	-1.4	-2.6	7.9	36.4
Danville	1.7	N.A.	56.4	-6.1	N.A.	-3.7	0.8	-2.1	N.A.	17.5
Franklin	-11.8	N.A.	181.6	-0.1	10.7	-56.8	N.A.	-15.5	-16.2	16.3
Fredericksburg	7.7	22.8	-74.4	N.A.	13.5	5.2	N.A.	6.9	4.4	15.0
Harrisonburg	9.8	-30.3	-52.3	N.A.	15.0	-1.1	N.A.	11.6	5.4	27.2
Lynchburg	3.2	-25.5	-70.6	2.8	N.A.	-4.9	1.8	-0.7	-2.1	32.6
Newport News - Hampton	-0.4	N.A.	-4.4	-0.6	5.8]	-11.2	2.7]	-16.4	-0.1	16.4
Norfolk - Va. Beach - Portsmouth	1.6	8.5	24.2	4.8		-9.9		0.7	-2.1	16.3
Petersburg	7.9	-34.1	-37.5	N.A.	-0.4	7.2	2.8]	24.9	2.1	22.6
Richmond	1.2	20.6	48.9	3.8	11.2	-10.0		-4.6	-3.7	18.5
Roanoke	0.8	-10.4	101.3	0.8	0.4	-24.0	3.5	-2.2	2.6	21.3
Staunton	23.3	5.8	305.1	N.A.	-1.4	3.1	N.A.	N.A.	35.8	30.6
Williamsburg	7.8	N.A.	558.0	8.1	N.A.	13.4	N.A.	-19.5	9.1	25.3
Winchester	9.1	4.7	49.4	-2.7	4.5	-4.9	N.A.	N.A.	N.A.	39.6

TABLE III

Percent Change January - October from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Sept. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Jan.-Sept. RETAIL SALES ‡
The State		12.5	-10.8	7.7	2.6	-10.0	3.2	-0.1	3.0	8.9
Alexandria	1.4	40.7	58.0	11.6	N.A.	-9.5	4.2	1.4	0.6	1.7
Bristol	-1.5	N.A.	16.8	2.1	N.A.	-18.9	4.1	9.8	-6.8	11.0
Cape Charles - Exmore	0.4	N.A.	1.0	3.9	N.A.	-22.0	N.A.	-3.0	4.4	10.7
Charlottesville	0.5	-3.8	38.4	8.8	N.A.	-16.4	1.6	0.7	2.5	1.9
Danville	6.0	N.A.	6.3	5.5	N.A.	-16.2	1.2	5.4	N.A.	34.0
Franklin	-3.2	N.A.	-28.7	7.4	5.0	-38.5	N.A.	-0.1	-3.0	9.8
Fredericksburg	8.0	37.3	100.3	N.A.	12.9	-5.3	N.A.	11.8	6.4	17.1
Harrisonburg	3.3	-10.1	9.4	N.A.	7.1	-14.1	N.A.	7.6	4.8	8.6
Lynchburg	0.0	0.4	0.4	5.6	N.A.	-11.9	1.7	-5.6	1.2	6.9
Newport News - Hampton	0.9	N.A.	-34.5	5.0	4.0]	-9.1	2.4]	-5.7	2.6	4.6
Norfolk - Va. Beach - Portsmouth	3.0	19.3	-22.0	6.6		-5.4		2.0	3.7	6.4
Petersburg	4.6	3.7	-22.4	N.A.	N.A.	-6.7	3.5]	7.8	5.6	10.7
Richmond	1.4	15.8	56.9	7.4	5.8	-6.7		-1.0	0.6	1.9
Roanoke	1.4	-16.3	12.8	2.5	-0.8	-20.1	3.2	0.2	5.0	12.6
Staunton	14.9	12.6	55.0	N.A.	N.A.	-15.3	N.A.	N.A.	25.2	14.4
Williamsburg	3.7	N.A.	-44.2	7.9	N.A.	-11.9	N.A.	-7.2	7.6	14.4
Winchester	0.0	-22.9	295.1	4.8	-0.9	-12.8	N.A.	-0.1	N.A.	8.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

#Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

⊐ Only total MSA data are available for these areas

N.A. — Not Available

O.O. — No Change

at least 12 more months. That outlook is not strengthened by the recent Federal deficit reduction package agreed to by the President and Congress, but neither is it dampened by it. The agreement is a positive signal, but a weak one that is merely a holding action until after the 1988 elections.

Our current national forecasts for 1987 and 1988 are shown in Table IV. We expect the nation's real GNP to rise by 2.2 percent in 1988, led by a dramatic improvement in the net export deficit (measured in real terms). The 1987 net export deficit, in 1982 dollars, is predicted to be $131 billion. With high real growth in exports in 1988 in response to the decline in the dollar since early 1985, we look for the real net export deficit to decline to $90 billion, a 31.3 percent improvement over 1987. That alone is equal to over a one percent increase in real GNP.

We also forecast a 2.0 percent real (inflation-adjusted) rise in personal consumption in 1988, in line with a 2.1 percent gain in real disposable income. That will be about one percentage point less real consumption growth than might have occurred without the stock market crash. Furthermore, real demand for some types of consumer goods, such as automobiles, furniture and major appliances, is expected to be lower in 1988 than in 1987. On balance, however, we are fairly confident in our forecast that real consumer spending will grow in 1988 at about the same rate as in 1987.

Private fixed investment also requires comment. The modest 0.9 percent real growth predicted for this category in 1988 is based on strong growth in business equipment purchases more than offsetting a flat to lower level of real nonresidential construction and a decline in residential construction.

The inflation accompanying that real growth will be slightly higher than in 1987. Overall inflation, as measured by the GNP Implicit Price Deflator, is predicted to be 3.8 percent in 1988, up from 3.0 percent in 1987. For consumers, we expect the 1988 increase in the Consumer Price Index to be 4.6 percent, up from 3.8 percent this year.

In sum, we forecast that the nation's real growth in 1988 will be slightly lower than in 1987, 2.2 percent versus 2.6 percent, with somewhat higher overall inflation, 3.8 versus 3.0 percent. If that is in fact what happens in the coming year, all of us should be thankful for having done that well. RLP

The Virginia Economic Outlook

Virginia's 1987 growth in real income and jobs clearly will be lower than the 1986 growth rates. We predict that deceleration will continue in 1988. No recession is likely in the Commonwealth next year, but the state will experience slower real growth than in 1987.

Our numerical predictions for Virginia income and jobs in 1987 and 1988 are reported in Table V, along with the 1986 numbers for comparison. The year 1986 was a boom one for the Commonwealth. High personal income growth in current dollars, coupled with an exceptionally low inflation rate, yielded a real (inflation-adjusted) resident personal income gain of 5.7 percent. Along with the superior real income growth we experienced accelerating real activity in manufacturing, construction and retail trade. The rapidly rising demand insured high job growth. Nonagricultural payroll employment rose 4.2 percent in 1986, twice the nation's rise of 2.1 percent.

Last November we predicted the cyclical forces behind Virginia's booming growth would begin to slow down in 1987. That in fact has been occurring. Our current estimate is Virginia's real personal income will rise by only 2.9 percent for 1987, about one-half of the real growth rate in 1986. Payroll job growth also has slowed, to an expected 3.0 percent for the year, down 1.2 percentage points from last year's rate.

The 1987 deceleration primarily reflects a leveling off in construction and slower real growth in retail trade and private services. Construction in the pipeline remains high, and construction employment still exceeds last year's levels. However, the booming growth in construction has ended in 1987, removing one strong source of demand and job growth that has benefitted the state since 1982.

Another perennial source of strength has been the phenomenal growth in trade and service jobs since 1982. Fueled by booming demand, trade and private service jobs rose by 6.0 percent in 1986. Lower real income growth this year, accompanied by lower job and population growth, has reduced the real demand growth of both retail trade and services in Virginia. The supply response has been lower job growth in these sectors in 1987, falling to 4.7 percent.

The cyclical forces behind the 1987 deceleration in Virginia's growth will be operating at least as strongly in 1988, further dampening the state's real growth. Here as nationally, we predict that construction, especially residential construction, will decline in 1988. That will mean lower construction employment and income. It also will dampen the demand for construction-related goods and services, ranging from building supplies, furniture, and major appliances to real estate services

Virginia's retail sales subject to the general sales tax, which includes most retail goods except automobiles, gasoline and drugs, will rise by almost 8 percent in 1987. After adjusting for inflation, the real increase is about 3.9 percent. That is higher than the real income growth in the state, and a pace we do not believe can continue in 1988. For next year, we project about a 6.5 percent increase in taxable retail sales. With price increases of about 4 percent for those types of goods, the forecasted real growth in taxable retail sales is only about 2.5 percent, a significant deceleration from the 1987 gain. Important, too, are the supply-side relationships. Retail trade jobs appear to be growing at a higher rate than the real volume of goods sold. We expect hiring in the trade sector in 1988 will be more in line with real growth. Therefore trade job growth will be slowed by both lower real demand growth and more conservative hiring practices by retail businesses. That expectation is a major factor behind our forecast that trade and private service jobs will grow by only 3.3 percent in 1988.

Our overall Virginia forecast for 1988 is real (inflated adjusted) resident income growth of 2.3 percent, accompanied by nonagricultural employment growth of 2.0 percent. Still respectable growth, but again a deceleration from the current pace. However, this path will allow the state's economy to achieve better balance by the end of 1988, creating the likelihood of steady or mildly accelerating growth in 1989. RLP

TABLE IV

THE U.S. ECONOMY
FORECASTS FOR YEARS 1987 and 1988
IN 1982 DOLLARS

	1987 (Bill.1982$)	% Change 1986-1987	1988 (Bill.1982$)	% Change 1987-1988
Domestic Final Demand				
Personal Consumption	$2,500	2.0%	$2,550	2.0%
Private Fixed Investment	644	0.6	650	0.9
Government Purchases	770	2.0	775	0.6
Total Domestic Final Demand	$3,914	1.8%	$3,975	1.6%
Plus: Net Exports	-131	-10.2	-90	-31.3
Equals: Final Sales	$3,783	2.3%	$3,885	2.7%
Plus: Change in Inventories	27	N.A.	10	N.A.
Equals: Gross National Product	$3,810	2.6%	$3,895	2.2%
Disposable Personal Income	$2,670	0.9%	$2,725	2.1%
Saving Rate	3.5%	N.A.	4.1%	N.A.
Nonagricultural Payroll Employment (Millions of jobs)	102.0	2.4%	103.6	1.6%

N.A.: Not Applicable

Source: Bureau of Business Research, College of William and Mary, November 23, 1987

TABLE V

THE VIRGINIA ECONOMY
ACTUAL VALUES FOR 1986 AND FORECASTED VALUES
FOR 1987 AND 1988

	1986		1987		1988	
	Level	Percent Change	Level	Percent Change	Level	Percent Change
Resident Personal Income (mill.$)	$89,169	8.0%	$95,200	6.8%	$101,900	7.0%
Real Personal Income (mill. 1982$)	$78,013	5.7	$80,275	2.9	$82,125	2.3
Nonagricultural Employment (thous.)	2,557	4.2	2,634	3.0	2,687	2.0
Manufacturing	424	1.9	425	0.2	430	1.2
Mining	16	-5.2	16	-2.5	15	-2.0
Construction	169	10.6	168	0.0	157	-6.5
Trade, Services, Transportation and Public Utilities and FIRE	1,427	6.0	1,495	4.7	1,545	3.3
Government	521	1.0	530	1.7	540	1.9

Source: Bureau of Business Research, College of William and Mary, November 23, 1987.

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BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 328 **January, 1988**

Business in Virginia
November and December, 1987 Data

For November 1987, all nine of the economic indicators regularly reported in Table II showed less growth than they achieved in November 1986. Furthermore, four of the nine recorded decreases: bank debits, building permits, new car registrations, and our sample of retail stores. Those November developments, however, were not evidence of a strong reaction to the October 19 stock market crash. Just the opposite: they really were evidence of no impact (yet) from the crash. For example, new car registrations fell statewide by 1.3 percent, much less than the year-to-year declines in August, September, and October, and well below the average decrease this year. Our retail sales sample's fall in sales per store of 2.6 percent was disappointing, but total taxable sales statewide (by all stores, new and long established) rose by 6.8 percent, as shown in the last column of the December Table II. Taken together the two types of retail information point to a highly competitive retail environment but with total retail spending clearly still rising in Virginia.

Another negative for Virginia in November was the dollar value of building permits in our seventeen urban areas, but the decrease was only 1.1 percent compared to last November. No big drop, and much less than the average decline in 1987. The fourth negative was bank debits, down 4.5 percent. This highly volatile series is subject to very wide monthly swings, so a mild one-month decline is not a significant indication of lowered spending plans.

Nonagricultural employment recorded a 2.4 percent gain in November, the same rate as the October advance, a sign of steady hiring of new workers by Virginia businesses. In general, the November changes in Virginia's economic indicators could easily have been generated by an environment in which no stock market crash occurred.

The December economic indicators likewise give little evidence of post-crash trauma although there were wide swings in some series. Bank debits reconfirmed its highly erratic nature with a 169.4 percent increase statewide, thanks to a huge jump in Richmond. Exceptionally large dollar amounts can and do move into accounts in Virginia banks, only to move on to another use or another place. Those exceptional dollar flows are not the result of households paying their bills or buying retail goods, so the large one-month swing cannot be read as signaling a general upturn in Virginians' consumption.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

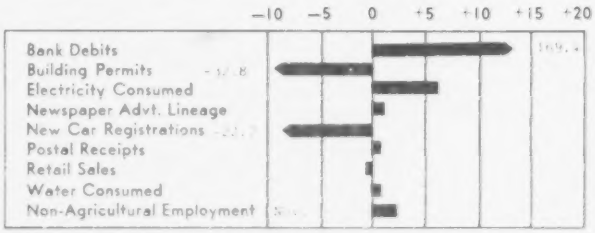

Chart II

City Indices

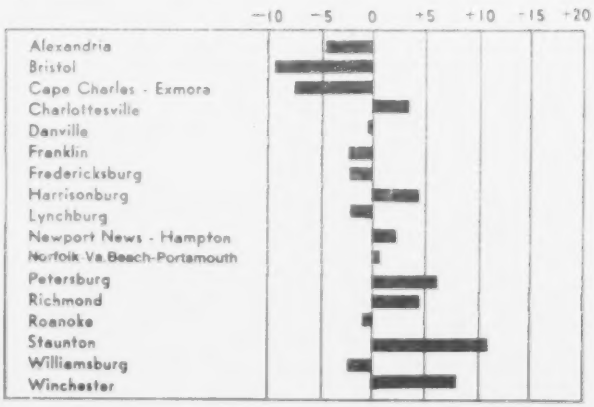

TABLE II November, 1987 Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	October NON AGRI CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	October RETAIL SALES ‡
The State		-4.5	-1.1	5.0	5.2	-1.3	2.4	0.2	-2.6	11.8
Alexandria	-1.4	34.9	319.3	6.1	N.A.	-21.0	4.0	-1.1	-6.0	18.5
Bristol	-5.1	N.A.	-78.6	8.8	-6.4	-12.3	4.3	5.1	-12.8	-6.9
Cape Charles - Exmore	-3.4	N.A.	-24.8	14.2	N.A.	-19.2	N.A.	-36.6	2.3	11.1
Charlottesville	2.7	-44.1	39.6	3.3	N.A.	4.7	1.3	-2.2	4.3	1.6
Danville	4.8	N.A.	40.6	4.5	6.1	20.6	0.0	-3.7	N.A.	1.5
Franklin	-2.9	N.A.	18.2	10.0	9.5	-29.4	N.A.	7.7	-11.3	12.9
Fredericksburg	-2.1	27.8	58.3	N.A.	3.0	-0.6	N.A.	-10.2	-7.8	16.4
Harrisonburg	6.2	9.1	-35.3	N.A.	14.1	-7.2	N.A.	16.9	-0.3	20.2
Lynchburg	-1.6	-20.7	145.9	5.9	N.A.	7.9	1.5	-5.3	-4.6	-8.7
Newport News - Hampton	1.2	N.A.	-17.6	8.6	5.3]	-13.0	2.3]	-4.0	0.9	7.7
Norfolk - Va. Beach - Portsmouth	0.0	-9.9	-22.9	-2.1		-3.6		4.4	-3.9	5.3
Petersburg	8.1	-15.2	-42.0	N.A.	54.3	-14.2	2.4]	-3.4	-0.3	26.8
Richmond	3.3	-1.4	-79.8	7.8	8.4	7.8		2.6	-6.5	20.2
Roanoke	2.3	-8.3	141.6	6.4	-0.5	5.9	2.3	N.A.	3.0	-4.9
Staunton	22.2	21.3	13.7	N.A.	N.A.	5.1	N.A.	N.A.	33.7	5.0
Williamsburg	-4.0	0.3	14.6	1.3	N.A.	-13.6	N.A.	-19.3	-2.7	11.8
Winchester	8.6	3.8	1221.2	N.A.	3.5	17.5	N.A.	N.A.	N.A.	4.8

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
]Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

In contrast to the large jump in bank debits, building permits fell by 32.8 percent in December, with nine of our seventeen urban areas reporting decreases of 30 percent or more. Some of the December slide may have been due to companies cancelling plans or putting them on hold due to the crash - we have no way of knowing for sure. Bear in mind that building permits also are a very erratic series. Only two months ago, in October, permits rose by 24.1 percent. The general trend for the year, however, has been a decline, as predicted last year and regularly this year prior to the stock market crash. Through November, the cumulative decrease was 9.7 percent. The December drop makes the full year decline 11.6 percent.

New car registrations fell 22.7 percent statewide in December, and in all seventeen of our urban areas. Even that huge decline does not show much if any post-crash cancellation of plans to buy new cars. Recall that last December people rushed to buy cars to beat the tax changes, producing a 35.2 percent rise that month in new registrations compared to December 1985. The 22.7 percent drop this December still leaves the month's new car sales at a high level, 4.5 percent higher than in December 1985. We do expect new car sales to decline in Virginia in 1988. But, the December results do not really support that prediction, after adjusting for last year's tax change effects.

In December our sample of retail stores experienced a 0.6 percent drop in sales compared to December 1986. That means sales per store by a large group of established retailers were flat this Christmas. Total retail sales by all merchants, old and new, undoubtedly did rise in December. How much we will not know for sure even when the full taxable sales reports are available, since a substantial portion of the December 1986 sales got counted as January 1987 sales due to late reporting caused by January snowstorms across the state. With December 1986 under-reported, the sales tax reports will show a huge, overstated gain for December 1987, much larger than the actual rise in retail sales. An increase of anything less than a 31 percent December to December gain in the unadjusted taxable sales data will indicate the actual result was little or no increase in the real (inflation-adjusted) volume of retail goods sold.

What we do know,with January-November Department of Taxation data on taxable sales plus our retail sales sample reports, is the real (inflation-adjusted) volume of retail goods sold in Virginia is growing at its slowest pace since 1982 and the competition among stores has intensified dramatically this year. That competition will be at least as intense in 1988. A similar situation exists nationally. In December, personal consumption expenditures in 1982 dollars showed no change from December 1986. Real (inflation adjusted) durable goods demand fell by 5.7 percent in December while nondurable goods showed a real increase of only 1.9 percent compared to the preceding December.

In sum, the November and December data confirm, or at least are consistent with, Virginia's trend toward slower growth in general, and the decrease in planned construction and car purchases in particular, that was predicted for 1987 and clearly underway prior to the October stock market crash. The recent data do not give any clear indication, though, of how Virginia businesses and consumers altered their plans as a result of the stock market crash. We will not know for several months the extent to which the crash has rechanneled the course of the Virginia economy. RLP

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I — December, 1987

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	November NON AGRI CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	TOTAL RECEIPTS
The State		915.0	145.0	158.9	116.9	127.5	140.5	87.2	299.9	373.9
Alexandria	224.0	31.1	469.5	179.2	N.A.	111.6	188.4	82.5	185.5	N.A.
Bristol	148.9	N.A.	123.8	116.2	72.7	75.1	116.1	102.2	195.2	271.8
Cape Charles - Exmore	132.3	N.A.	707.3	137.7	N.A.	56.1	N.A.	N.A.	99.7	102.3
Charlottesville	223.9	96.1	204.1	148.1	N.A.	84.5	111.0	114.3	124.8	388.9
Danville	139.2	N.A.	47.2	111.7	154.1	70.3	99.3	72.8	N.A.	326.7
Franklin	160.7	N.A.	49.0	137.8	149.1	52.5	N.A.	82.3	200.9	261.3
Fredericksburg	383.3	230.0	253.2	N.A.	165.5	130.3	N.A.	72.8	290.9	1441.7
Harrisonburg	201.5	334.0	531.7	N.A.	156.8	74.2	N.A.	159.2	211.7	373.5
Lynchburg	208.1	288.9	35.0	134.3	N.A.	69.9	99.2	114.7	271.2	433.4
Newport News - Hampton	174.1	N.A.	210.6	130.2	98.2]	79.9	139.6]	112.7	277.4	N.A.
Norfolk - Va. Beach - Portsmouth	240.5	497.8	182.8	170.5		102.4		82.1	443.8	N.A.
Petersburg	183.1	193.7	88.7	N.A.	34.5	75.4	129.5]	104.0	265.4	325.0
Richmond	203.8	1396.1	210.3	177.4	129.0	97.2		100.2	281.9	355.2
Roanoke	175.3	385.0	53.9	123.8	179.6	57.9	124.4	108.4	216.4	334.1
Staunton	193.4	108.5	62.3	N.A.	94.0	64.0	N.A.	N.A.	231.9	306.6
Williamsburg	266.4	N.A.	39.6	184.2	N.A.	123.7	N.A.	82.1	214.9	830.4
Winchester	164.1	426.5	N.A.	144.8	242.9	104.7	N.A.	N.A.	N.A.	N.A.

TABLE II — December, 1987

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	November NON AGRI CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	November RETAIL SALES ‡
The State		169.4	-32.8	6.5	1.8	-22.7	2.4	0.6	-0.6	6.8
Alexandria	-4.7	-19.5	60.7	11.8	N.A.	-30.5	4.0	-10.0	-4.3	0.2
Bristol	-9.7	N.A.	55.0	3.5	-13.2	-27.9	3.9	13.1	-22.9	1.7
Cape Charles - Exmore	-7.5	N.A.	138.5	2.7	N.A.	-51.4	N.A.	-36.3	3.3	22.9
Charlottesville	3.5	-3.4	-51.6	6.2	N.A.	-31.6	2.3	0.3	-4.0	6.5
Danville	-0.1	N.A.	-53.5	-4.6	11.8	-16.5	0.5	-12.9	N.A.	18.8
Franklin	-2.0	N.A.	-31.5	-5.7	8.6	-66.3	N.A.	-14.5	4.1	49.6
Fredericksburg	-2.0	3.2	11.4	N.A.	3.4	-26.2	N.A.	-0.7	5.2	-5.8
Harrisonburg	4.5	-13.7	206.7	N.A.	7.8	-26.2	N.A.	19.7	-0.6	32.3
Lynchburg	-2.0	-17.2	-79.2	-2.4	N.A.	-11.9	0.0	1.9	-3.7	7.8
Newport News - Hampton	3.4	N.A.	-32.3	7.8	-6.3]	-13.6	1.8]	2.0	4.2	17.4
Norfolk - Va. Beach - Portsmouth	8.6	-17.6	-46.8	6.1		-14.1		0.4	4.8	3.1
Petersburg	6.1	1.1	-9.2	N.A.	32.2	-9.0	2.5]	7.9	3.0	5.8
Richmond	4.8	333.2	48.6	3.7	11.6	-7.4		3.8	-0.6	31.1
Roanoke	-0.7	-8.3	-44.9	3.7	2.3	-26.7	2.1	10.4	-4.4	14.9
Staunton	11.0	0.8	-81.1	N.A.	6.8	-30.9	N.A.	N.A.	19.4	31.7
Williamsburg	-2.4	N.A.	-44.7	13.2	N.A.	-19.3	N.A.	-22.5	0.5	11.2
Winchester	7.7	-13.5	N.A.	5.4	3.5	-10.2	N.A.	N.A.	N.A.	22.0

TABLE III — Percent Change January - December from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	Jan.- Nov. NON AGRI CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	Jan.- Nov. RETAIL SALES ‡
The State		24.7	-15.6	7.4	2.8	-10.5	3.0	-0.1	1.8	8.9
Alexandria	2.3	39.5	86.4	11.7	N.A.	-12.2	4.1	8.8	-0.9	8.7
Bristol	-2.9	N.A.	-4.0	2.7	N.A.	-19.2	4.1	8.8	-9.2	1.0
Cape Charles - Exmore	-1.8	N.A.	6.5	4.5	N.A.	-24.5	N.A.	-8.9	2.4	9.1
Charlottesville	1.3	-7.7	23.8	8.1	N.A.	-16.4	1.7	0.4	1.9	9.5
Danville	-0.4	N.A.	4.5	4.6	N.A.	-14.2	1.0	3.2	N.A.	3.3
Franklin	-0.5	N.A.	-26.9	6.1	5.8	-60.1	N.A.	-0.7	-2.9	33.8
Fredericksburg	5.1	12.5	90.8	N.A.	11.2	-6.6	N.A.	8.5	4.8	8.7
Harrisonburg	4.9	-9.1	10.1	N.A.	7.8	-14.6	N.A.	9.4	4.4	18.8
Lynchburg	-0.2	-13.2	2.1	4.9	N.A.	-10.8	1.5	-5.0	-0.1	7.0
Newport News - Hampton	0.3	N.A.	-33.1	5.5	3.2]	-21.2	2.4]	-5.0	2.5	7.9
Norfolk - Va. Beach - Portsmouth	2.1	10.2	-32.5	5.9		-5.9		2.1	3.1	4.6
Petersburg	3.4	1.8	-22.9	N.A.	N.A.	-7.4	1.1]	6.9	4.5	7.7
Richmond	2.5	68.6	12.6	6.8	6.3	-5.9		-0.2	-0.3	13.1
Roanoke	0.8	-15.0	13.8	7.9	-0.5	-12.1	3.0	1.4	3.4	2.5
Staunton	14.7	12.4	29.2	N.A.	N.A.	-15.5	N.A.	N.A.	25.1	13.6
Williamsburg	2.3	N.A.	-40.5	7.8	N.A.	-12.6	N.A.	-9.5	5.5	13.9
Winchester	1.1	N.A.	N.A.	N.A.	-0.1	-11.0	N.A.	N.A.	N.A.	14.3

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
;Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

The Virginia Economy in 1987

Economic growth decelerated in Virginia in 1987, as expected. However, the deceleration was slightly milder than we predicted. The forecast in our April issue was Virginia personal income would rise 6.5 percent in 1987. Through the first three quarters, the growth rate was 7.0 percent. Similarly, we projected payroll employment growth of 2.5 percent, but the actual rate through November has been 3.0 percent.

The major reason that Virginia outperformed our forecast was supply-side strength in construction. Total demand for structures fell in 1987, as evidenced by the 11.6 percent decrease in the dollar value of building permits in the urban areas we cover and an 8.7 percent drop in home sales, as reported by the Virginia Association of Realtors. However, the decreased demand has not yet produced lower levels of construction. As of November, construction employment statewide remained above year-ago levels; and through the first three quarters, earnings in Virginia's construction industry were up 13.3 percent compared to 1986.

That sustained strength in construction held Virginia's growth above the predicted path. A reoccurrence of that strength in 1988 is not likely - supply in that industry will yield to the pressures of lowered demand. Accordingly, a decrease in construction employment was part of our 1988 forecast in the November issue, and we now expect a 7.0 percent decline. It should be emphasized, though, that the 1988 level of construction activity still will be the third highest in Virginia's history, exceeded only by 1986 and 1987. RLP

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 329 **February, 1988**

Business In Virginia January,1988 Data

During January new car registrations and building permits statewide did not rebound from the depressed levels of a year ago. In January of 1987, new car sales fell 16.8 percent. This year they rose by only 0.7 percent, so there has been no recovery yet in Virginians' demand for new cars. Similarly, last January we witnessed a 33.8 percent decline in the dollar volume of building permits. This January there was a further decline of 2.2 percent.

Retail sales by our sample of stores increased a mild 1.1 percent in January, showing no real change in the volume of goods sold.

Looking back to December, nonagricultural employment advanced 2.5 percent, the fourth consecutive month in which the gain from the same month a year ago has been 2.4 or 2.5 percent, showing steady job growth in Virginia.

The missing number in the tables is December taxable sales. The Virginia Department of Taxation monthly data for December 1987 give a 45.4 percent increase over December 1986. That is a huge overstatement, as we explained last month. The December 1986 sales were underreported, due to January 1987 snowstorms across the state delaying the receipt and recording of some of the December sales tax reports by the Department of Taxation. Therefore some of the sales made in December 1986 were recorded later as January sales. We know actual sales were not up 45 percent this Christmas. But, how good were they in reality? Our best guess is total Virginia retail sales inDecember 1987 were 8 to 10 percent above the 1986 level.

There is no reasonably accurate way for us to adjust the December 1986 sales on a city by city basis. Therefore we omitted the year-to-year changes in taxable sales from Table II, noting the data are not comparable for the two years. Last spring we found the most effective way to overcome the distortions in the December and January taxable sales figures was to take the average for the two months. We will use that approach again this year, once we have the January data. RLP

National Retail Sales

Nationally, retail sales in December were 0.2 percent below the December 1986 levels. Durable goods spending fell 5.4 percent compared to last year, led by an 11.8 percent decrease in sales of motor vehicle dealers. Furniture, home furnishings, and equipment stores also experienced a decline, dropping 3.2 percent.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

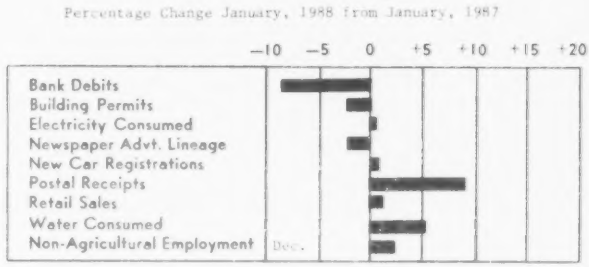
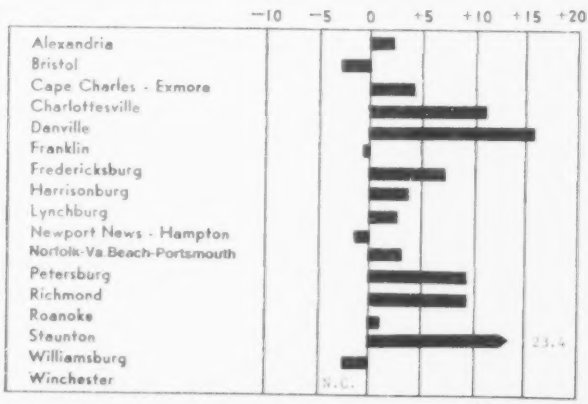


Chart II

City Indices



Nondurable goods sales were up only 3.5 percent, less than the rate of inflation. However, within that category general merchandise stores achieved an 8.0 percent gain, so not all types of retailers had a disappointing December.

The December results heightened concern that consumers might be cutting back in the coming months. Those concerns were eased by the February 11 advance release of the January retail sales figures. Durable goods purchases jumped 15.7 percent this January versus January 1987, led by a 26.7 percent gain for motor vehicle dealers. Sales of nondurable goods rose a more modest 4.3 percent, led by an increase of 10.6 percent for general merchandise stores.

Overall, total retail sales nationally this January were 8.5 percent higher than in January 1987. That healthy growth is a very favorable sign that consumer demand remains strong.

Virginia Income for Three Quarters of 1987

The U. S. Department of Commerce released the third quarter state personal income estimates in January. We calculated the average levels for the first three quarters, to get a better fix on Virginia growth in 1987. For comparison, we also constructed three-quarter averages for the state in 1985 and 1986.

Table III shows Virginia income, in total and by industry, for three quarters of 1987, at a seasonally adjusted annual rate. In addition, percentage changes are shown for the three quarter averages for 1985-1986 as well as 1986 to 1987.

The last column in Table III contains an additional comparison, Virginia growth versus the nation's growth for the first three quarters of 1987. This column consists of the Virginia percentage change 1986 to 1987 minus the United States percentage change for the same period. Thus, positive differences in that column reveal the extent to which, and sectors in which, Virginia's income growth exceeded the national rate. The few negatives in the column indicate the Virginia sectors that grew more slowly than the national average.

Virginia resident personal income for the first three quarters of 1987 averaged $94.7 billion at an annual rate, up 7.1 percent from the same period in 1986. That growth rate is 0.9 percent below the 8.0 percent rise in 1986. However, these measures are in current dollars, not adjusted for inflation. Since inflation in 1987 was almost twice the rate for 1986, real income growth slowed more dramatically. The analysis here will be limited to current dollar comparisons.

The second row in the table is total earnings by place of work, consisting of wages and salaries plus sole proprietors' income, and represents the direct earnings by labor in Virginia. This labor income of $68.9 billion is considerably less than total personal income since the latter, broader measure includes profits, dividends and interest, rents and transfer payments such as social security, unemployment and welfare. Labor income by place of work, however, grew at an 8.9 percent rate in 1987, significantly higher than the gain in total personal income.

Looking down the two columns showing Virginia's growth rates for 1986 and 1987, one can see that the data confirm other evidence of decelerating growth in Virginia. In total and in all but a few categories, Virginia's income and earnings in 1987 have grown more slowly than in 1986. The exceptions include mining where earnings have risen 3.8 percent after a decline of 2.0 percent in 1986; Federal civilian earnings, up 2.5 percent in 1987 after practically no change in 1986; and Federal military wages and salaries, up 6.4 percent compared to 5.8 percent last year. Finally, the finance, insurance, and real estate (FIRE) sector recorded a booming 20.4 percent growth in 1987, even higher than the 17.9 percent in 1986.

The private services sector maintained steady growth in earnings at a 12.6 percent rate, matching last year's 12.5 percent rise. This sector remains the major source of earnings growth in Virginia, a role it will retain for many years to come even though its growth in real terms is slowing and will continue to do so.

All other industry sectors experienced slower earnings growth during the first nine months of 1987 than during the same period in 1986.

In general, Virginia experienced slower income growth in 1987, but our growth remained higher than the national rates. Total resident personal income in Virginia grew 1.4 percentage points faster than the nation's income during the first three quarters. Labor earnings here outpaced the nation by an even wider margin, 2.5 percent.

By sectors, the Virginia construction industry outperformed the nation by the widest margin, with growth 7.6 percentage points above the national pace. The FIRE sector had the second widest margin, 6.0 percent.

Manufacturing earnings in Virginia have recorded gains, up 5.0 percent in 1987. That is 2.3 percentage points above the national growth rate. Continued growth in manufacturing will be an important contributor to Virginia's overall growth in the near future as well as over the long run, and such growth represents a cornerstone of Virginia's ability to generate income from outside of its bor-

ders. Manufacturing earnings growth, however, has been dwarfed in recent years by the booming advances in construction, FIRE, and services, and it will continue to be lower than service sector growth for the foreseeable future.

Some observations on the retail trade sector are appropriate. Retail trade earnings soared in 1986, up 11.2 percent. In 1987, the growth rate has slowed dramatically to 7.4 percent. That still is higher than the national growth in retail earnings, but only by 1.5 percent. That supports the prediction we have made several times in the past year that Virginia's extraordinary boom in retail trade will slow to a growth rate more in line with the overall income growth in the state. We still expect retail trade income and jobs in Virginia to grow more rapidly than nationwide, but by a much narrower margin than we have seen in recent years.

RLP

SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I January, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period [1977] - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV. LINAGE	NEW CAR REGISTRATIONS	December NON AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		394.6	125.8	190.5	81.2	136.3	141.1	91.2	128.1	384.8
Alexandria	143.6	474.3	469.5	222.6	N.A.	114.9	190.0	85.4	139.8	N.A.
Bristol	129.1	N.A.	83.5	137.1	58.7	68.8	117.5	114.8	118.8	109.0
Cape Charles - Exmore	132.7	N.A.	299.9	157.7	N.A.	68.3	N.A.	N.A.	121.8	205.0
Charlottesville	149.4	195.1	280.0	175.9	N.A.	106.3	111.9	114.7	179.1	N.A.
Danville	121.8	N.A.	53.6	119.6	93.8	85.0	98.3	86.4	N.A.	247.5
Franklin	123.5	N.A.	228.4	131.5	110.3	91.8	N.A.	89.9	102.2	217.6
Fredericksburg	147.2	201.6	139.9	N.A.	131.2	166.5	N.A.	77.0	177.1	1261.1
Harrisonburg	141.2	249.3	260.5	N.A.	104.9	90.3	N.A.	138.3	130.5	260.5
Lynchburg	259.7	415.1	86.7	149.9	N.A.	102.6	99.9	92.0	175.2	1105.7
Newport News - Hampton	134.7	N.A.	309.7	156.2	79.1	78.9	139.3	113.8	170.3	N.A.
Norfolk - Portsmouth	158.3	516.6	131.8	211.5		89.9		88.1	208.4	N.A.
Petersburg	127.6	195.8	460.5	N.A.	29.6	81.9	130.9	148.7	134.4	235.1
Richmond	130.8	415.1	126.0	210.8	100.6	113.0	124.0	105.6	105.2	333.1
Roanoke	129.4	358.0	39.8	162.6	127.9	80.2		109.7	92.1	334.1
Staunton	120.0	179.0	31.5	N.A.	73.3	80.8	N.A.	N.A.	121.2	226.4
Williamsburg	136.8	152.2	16.0	211.9	N.A.	118.6	N.A.	81.5	88.1	278.3
Winchester	N.C.	351.3	25.7	140.3	N.A.	120.7	N.A.	N.A.	N.A.	N.A.

TABLE II January, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWSPAPER ADV. LINAGE	NEW CAR REGISTRATIONS	December NON AGRICULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	December RETAIL SALES ‡
The State		-6.4	-2.2	11.6	-2.0	0.7	2.5	5.1	1.1	N.C.
Alexandria	2.1	2.3	-14.8	26.1	N.A.	-1.0	1.6	-5.9	1.2	N.C.
Bristol	-2.6	N.A.	488.1	5.0	-23.8	1.2	-4.2	5.3	-4.9	N.C.
Cape Charles - Exmore	4.2	N.A.	191.4	10.4	N.A.	10.3	N.A.	-10.4	4.4	N.C.
Charlottesville	11.2	-10.2	183.2	22.2	N.A.	11.9	1.8	1.7	9.1	N.C.
Danville	15.9	N.A.	-40.0	-0.5	6.8	11.6	0.9	N.A.	N.A.	N.C.
Franklin	-0.3	N.A.	101.8	8.9	0.1	-27.8	N.A.	-4.2	-11.6	N.C.
Fredericksburg	1.3	12.1	19.1	N.A.	-1.6	-1.5	N.A.	28.1	8.8	N.C.
Harrisonburg	3.7	4.2	-1.0	N.A.	4.1	17.1	N.A.	17.2	-9.1	N.C.
Lynchburg	2.1	-21.8	-41.2	3.7	N.A.	21.5	1.5	-18.5	-3.8	N.C.
Newport News - Hampton	-1.8	N.A.	20.8	9.2	-9.5	-21.4	2.8	2.9	0.6	N.C.
Norfolk - Va. Beach - Portsmouth	2.9	-20.1	-1.3	12.7		-25.8		8.9	-1.3	N.C.
Petersburg	9.6	28.3	317.2	N.A.	-6.7	12.6	2.8	-2.6	-1.0	N.C.
Richmond	9.4	-2.9	-21.8	18.3	9.4	14.1		8.3	8.1	N.C.
Roanoke	0.7	-2.9	-54.7	4.7	0.9	-1.4	2.9	13.8	-5.4	N.C.
Staunton	23.4	7.6	-34.3	N.A.	8.0	27.0	N.A.	N.A.	27.1	N.C.
Williamsburg	-1.4	-3.2	-82.7	12.3	N.A.	-10.3	N.A.	-16.2	0.0	N.C.
Winchester	N.C.	-2.3	-75.1	6.3	N.A.	35.1	N.A.	N.A.	N.A.	N.C.

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
Only total MSA data are available for these areas
N.C.-December 1987 and December 1986 reports not comparable

N.A. — Not Available
0.0 — No Change

TABLE III Virginia Personal Income and Earnings by Industry, Seasonally Adjusted Annual Rate, 1987 Level in Millions and Percent Changes for Quarters I-III, 1986 and 1987

	1987 Level ($Millions)	Percent Change 1985-1986	Percent Change 1986-1987	Percent Change Virginia minus U.S. 1986-1987
Total Personal Income by Place of Residence	$94,724	8.0%	7.7%	1.4%
Total Earnings by Place of Work	68,911	9.2	8.9	2.5
Earnings by Industry				
Farm	422	9.9	23.0	3.0
Nonfarm	68,469	9.2	8.8	2.7
Private	51,423	10.5	9.6	3.5
Ag. Services, Forestry and Fisheries	268	19.8	1.5	-1.4
Mining	856	-2.0	3.8	6.6
Construction	5,317	16.7	13.3	7.6
Manufacturing	10,940	5.6	5.0	2.3
Nondurable Goods	5,452	5.7	5.1	0.6
Durable Goods	5,489	5.4	4.9	3.3
Transportation and Public Utilities	4,772	7.2	6.2	1.2
Wholesale	3,587	9.7	7.1	2.5
Retail Trade	6,545	11.2	7.4	1.5
Finance, Insurance, and Real Estate	3,872	17.9	20.4	6.0
Services	15,266	12.5	12.6	4.3
Government	17,046	5.7	6.5	0.0
Federal, Civilian	5,347	0.2	2.5	-0.5
Military	4,619	5.8	6.4	2.1
State and Local	7,080	10.4	9.9	1.9

Source: Regional Economic Information System
Bureau of Economic Analysis, January 1988

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Roy L. Pearson Director, Bureau of Business Research
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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 330 **March, 1988**

Business In Virginia February, 1988 Data

Building permits statewide rose strongly this February, up 15.7 percent compared to February of 1987, spurred by surges of more than one hundred percent in many areas throughout the Commonwealth. New car registrations also increased sharply, by 27.2 percent, the first sign of real strength for new car demand since December 1986. These rebounds in planned construction and in car sales suggest Virginians' confidence about their economic future is rising.

The other February data showed definite gains, with one exception: our sample of retail stores. These retailers experienced an average decline of 0.4 percent in their sales per store. Total sales by all stores, new and old, undoubtedly rose in February, but not necessarily for the individual establishment – the retail environment is quite competitive at the present and likely to become even more so this year.

January data are now available for two major indicators, taxable retail sales as reported by the Virginia Department of Taxation and nonagricultural payroll employment from the Virginia Employment Commission. Both of these indicators show unexpectedly high growth for the state.

The taxable sales figures for December and January were averaged and compared to the December-January averages for last year in order to eliminate the distortions in the data created by the January 1987 snowstorms. The December-January average showed a statewide gain in taxable sales of 11.3 percent, confirming that Virginia consumers spent quite freely for nearly all types of goods (except automobiles) during those two months. Double-digit increases in taxable retail sales, however, cannot be sustained since the total personal income of Virginians is growing at only about 7 percent. The February results for our sample of retailers suggest slower growth in total retail sales is in fact occurring now.

For the yearly taxable sales measure we chose to report the change from February 1987 through January 1988 compared to the same period a year earlier. Virginia's retail sales growth for those twelve months was 9.0 percent, a strong performance for the year, well above the national gains.

The Virginia Employment Commission data show there was a 4.4 percent increase in payroll jobs in January 1988 versus the prior January, a big jump from the 3.1 percent rise in December. This January's figures were helped by better weather than last year, so look for the growth rate to decline in February.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

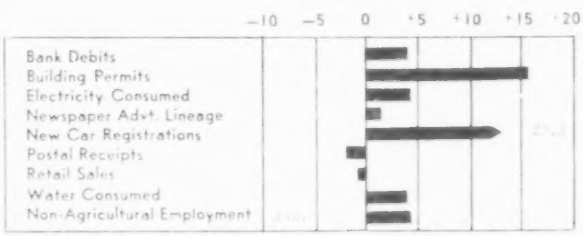
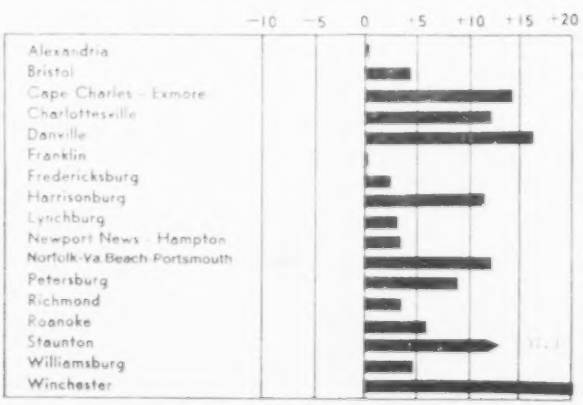


Chart II

City Indices



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I — February, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan. NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		387.7	134.4	129.9	89.8	148.2	141.6	83.7	167.9	393.5
Alexandria	164.0	440.1	130.3	108.1	N.A.	168.0	194.6	85.4	134.6	N.A.
Bristol	124.0	N.A.	8.9	144.1	67.4	93.1	116.4	105.3	118.3	309.0
Cape Charles - Exmore	122.9	N.A.	288.2	156.2	N.A.	91.1	N.A.	N.A.	93.6	208.1
Charlottesville	170.4	160.9	247.4	188.0	N.A.	123.1	115.4	111.7	188.3	592.5
Danville	113.4	93.6	148.4	108.4	68.4	71.2	100.0	84.4	N.A.	242.7
Franklin	128.0	N.A.	168.8	152.6	111.8	101.6	N.A.	88.9	104.7	234.8
Fredericksburg	203.4	200.1	211.3	N.A.	168.8	137.0	N.A.	92.4	179.3	1289.7
Harrisonburg	154.0	207.2	80.2	N.A.	124.7	90.4	N.A.	104.7	128.2	329.3
Lynchburg	208.6	197.1	110.8	104.3	N.A.	83.4	98.3	103.8	174.7	1099.0
Newport News - Hampton	179.9	N.A.	98.7	140.4	75.9	89.6	139.2	100.5	162.4	N.A.
Norfolk - Portsmouth	174.4	240.4	109.1	139.4	111.8	101.8	80.0	104.4	N.A.	N.A.
Petersburg	132.5	265.3	0.0	N.A.	111.8	74.9	130.2	89.1	137.8	248.1
Richmond	146.2	204.7	110.8	142.8	100.4	111.1	96.9	114.3	128.6	
Roanoke	152.0	162.8	219.8	146.0	111.2	71.4	125.4	99.4	134.3	389.6
Staunton	121.8	137.1	184.4	94.6	75.3	97.8	N.A.	N.A.	120.3	260.5
Williamsburg	158.6	144.5	380.9	280.3	N.A.	153.6	N.A.	73.3	103.3	471.8
Winchester	159.4	137.2	52.9	166.0	186.9	111.4	N.A.	N.A.	N.A.	N.A.

TABLE II — February, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan. NON AGRI-CULTURAL EMPLOYMENT‡	WATER CONSUMED	RETAIL SALES †	Average Dec.-Jan. RETAIL SALES ‡
The State	2.0	2.0	15.7	6.6	1.7	27.2	4.4	1.9	-0.4	11.3
Alexandria	0.3	3.9	173.4	3.8	N.A.	11.8	6.4	0.0	-10.6	12.1
Bristol	4.4	N.A.	-63.6	7.7	-7.3	40.8	4.6	0.6	-9.4	10.1
Cape Charles - Exmore	14.5	N.A.	300.3	8.4	N.A.	125.9	N.A.	-27.0	-3.1	13.8
Charlottesville	12.0	-40.9	249.7	-1.0	N.A.	51.9	7.4	4.3	5.7	17.4
Danville	16.0	N.A.	59.2	9.2	9.0	54.3	3.1	0.0	N.A.	20.5
Franklin	10.1	N.A.	176.2	2.4	10.2	6.9	N.A.	-2.7	-3.0	-7.1
Fredericksburg	2.5	19.1	-69.5	N.A.	3.6	2.6	N.A.	24.0	-10.4	14.2
Harrisonburg	11.4	31.0	-28.8	N.A.	23.0	30.0	N.A.	7.5	-1.8	20.1
Lynchburg	2.7	15.4	127.5	9.4	N.A.	18.5	0.8	0.4	-1.8	2.0
Newport News - Hampton	3.1	N.A.	11.8	3.2	-4.2	19.7	2.8	-1.5	1.3	6.4
Norfolk - Va. Beach - Portsmouth	12.4	-12.8	-8.3	17.0		26.3		5.9	20.8	2.4
Petersburg	8.9	81.4	-44.0	N.A.	-2.2	55.8	4.2	14.3	-1.6	5.0
Richmond	3.0	11.3	34.7	-0.2	4.9	23.9		3.7	-10.3	17.7
Roanoke	5.7	8.8	103.6	7.3	2.3	9.3	1.3	10.5	-0.2	20.9
Staunton	37.3	7.1	75.9	N.A.	7.6	67.6	N.A.	N.A.	49.1	1.8
Williamsburg	4.7	2.8	78.1	-2.6	N.A.	30.8	N.A.	3.4	-8.8	7.6
Winchester	0.1	21.0	-67.3	0.9	5.8	59.7	N.A.	N.A.	N.A.	18.5

TABLE III — Percentage Change: January - February from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Dec. 1987 NON AGRI-CULTURAL EMPLOYMENT‡	WATER CONSUMED	RETAIL SALES †	Feb. 1987 - Jan. 1988 RETAIL SALES ‡
The State	2.1	-2.1	7.2	9.0	0.1	13.0	4.7	4.5	0.3	9.0
Alexandria	1.6	4.0	72.0	9.1	N.A.	4.6	7.4	-2.4	-5.2	8.7
Bristol	0.1	N.A.	140.1	6.1	-15.5	23.9	4.3	2.8	-5.2	-2.2
Cape Charles - Exmore	8.9	N.A.	100.1	9.3	N.A.	71.9	N.A.	-28.8	-0.7	12.0
Charlottesville	10.8	-36.2	519.0	9.2	N.A.	35.7	4.5	3.8	7.6	10.6
Danville	14.0	N.A.	-17.5	4.1	7.9	61.2	3.1	2.4	N.A.	5.6
Franklin	-0.5	N.A.	211.9	3.5	5.0	-12.6	N.A.	-2.9	-7.6	22.3
Fredericksburg	4.4	15.7	-50.3	N.A.	2.1	-0.6	N.A.	23.8	-1.2	9.4
Harrisonburg	9.0	14.8	-38.6	N.A.	19.1	26.1	N.A.	12.0	-4.7	19.6
Lynchburg	3.0	-7.8	17.8	5.6	N.A.	14.4	2.0	-8.3	1.7	5.0
Newport News - Hampton	2.9	N.A.	-21.9	5.1	7.0	-6.1	1.8	0.8	1.0	7.5
Norfolk-Va. Beach-Portsmouth	5.1	-16.9	-1.8	19.2		0.0		6.2	5.3	3.2
Petersburg	11.3	53.1	145.5	N.A.	11.2	42.5	4.7	29.2	-1.6	6.0
Richmond	3.4	3.7	4.6	7.8	7.1	19.8		6.2	-2.6	15.3
Roanoke	4.9	2.7	108.7	6.9	1.5	3.1	2.1	12.2	-2.7	5.4
Staunton	28.9	5.8	31.9	N.A.	7.5	46.4	N.A.	N.A.	36.1	11.1
Williamsburg	2.8	-1.4	-22.4	-4.7	N.A.	16.1	N.A.	-7.9	-3.1	13.4
Winchester	11.4	7.9	-65.5	1.4	N.A.	56.9	N.A.	N.A.	N.A.	14.0

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
-Only total MSA data are available for these areas.

N.A. — Not Available
O.O. — No Change

The VEC also released their rebenchmarked employment data for 1986 and 1987. These figures incorporate a surprisingly large upward revision in Virginia's 1987 nonagricultural employment, producing a much higher growth rate for the year than initially shown by the monthly data. The revised growth rate for payroll employment in 1987 is 4.7 percent, substantially above the 3.0 percent indicated by the initial monthly data through December. For three of the Commonwealth's metropolitan areas the revised employment growth rate for 1987 is more than double the rate shown by the preliminary data: Northern Virginia, 7.4 percent instead of the initial 3.6 percent; Charlottesville, 4.5 percent instead of 1.8 percent; and Danville, 3.1 percent in place of 0.9 percent. A detailed analysis of the 1987 job growth by industry and geographic area will be in the April Report.

RLP

How Will We Count?

Herrington J. Bryce
Commonwealth Professor

The author was a member of the Census Advisory Board on Population and is also the author of "The Impact of the Undercount On State and Local Government Transfer," published in the Proceedings of the Conference on Census Undercount, 1980 *(U.S. Government Printing Office, U.S. Bureau of the Census, 1980).*

The Constitution requires that an accurate count of the population be made every ten years. The implementation of this law is the source of a long, intense debate in the U.S. Congress, in the Bureau of Census, in academic circles and among many state and local government jurisdictions. In the past, some local jurisdictions have either considered or entered into suits against the Bureau because of its failure to achieve an accurate count. Among these jurisdictions are the City of Richmond, Virginia; New York City; Newark, New Jersey; and Detroit, Michigan.

The problem stems from the word "accurate" and the fact that nearly $4 billion of federal and state financial aid are in one way or the other tied to population size. For example, the Community Development Block Grant – a major source of federal aid to localities for improving housing, water and sewer, sidewalks and streets – is distributed on the basis not only of population size but also on its rate of growth or decline. On the state level, financial aid is also frequently based upon population data. For example, in Virginia as in several other states, revenues from the alcoholic beverages tax are distributed according to the size of the local jurisdiction.

But the concern for an accurate count is based on other considerations than just dollars. Political redistricting both for state and federal government purposes takes population size into account. Furthermore, representation in the U.S. House of Representatives as well as in the lower chamber of state legislatures is also based on population size as reported by the Bureau of Census. As a matter of fact, it is for the purpose of fairly reflecting population size and distribution that the U.S. Constitution requires an accurate count every ten years.

But the concern goes beyond dollars and politics. Population is the key variable in planning, both in the public and private sectors. It is a principal indicator of need – for housing, jobs, schools, and even recreational facilities. It is also a principal indicator for assessing the size and composition of consumer markets. Recognizing these facts, the Bureau is presently making a concerted effort to improve the 1990 count – and this involves outreach to encourage people to be counted by responding to census takers or returning questionnaires. Their efforts also encompass evaluation methods to adjust the count if, as in the past, there is an undercount or underenumeration which are the terms used to denote hat the Census was less than accurate.

At this very moment, the Bureau, some members of Congress, many statistical experts including a former Bureau official who was a past president of the American Statistical Association, the National Academy of Sciences, and some local jurisdictions such as New York City are at loggerheads. The critics believe that the Bureau should adjust its count for those it missed so as to make the count more accurate.

The Bureau has taken the position that adjustments are undesirable. Without getting into the technical foray, let us first grant that in the real world a perfect count is never likely in a country that is so vast and where some people may have a strong incentive not to be counted. It is believed that this is the case for many so-called illegal immigrants – notwithstanding that the census information is confidential and cannot be used as legal evidence against them.

Secondly, it is argued that adjustments contain their own errors and that these errors may not only be unknown but may have a perverse distribution. To illustrate, to use a constant percentage to increase the initial census count for persons of a similar age whether they be black or white, men or women, would introduce a new error since the undercount is not similar for all of these categories of persons. Moreover, it is argued that the Bureau of Census has shown considerable improvements over the years in its ability to achieve a more accurate count.

The underenumeration has been declining, dropping from 5.6 percent in 1940 to 2.9 percent in 1970 and 1.4 percent in 1980. However, that still left an undercount of 3.2 million people in 1980. The undercount also is particularly large among certain groups, such as black men 25-29 years of age. Further, while a larger percentage of blacks than of whites are missed every ten years, there are

more whites missed than blacks.

The Census Bureau data show another dimension of this problem. Some 5,171,000 undocumented (sometimes called illegal) persons were missed in 1970, in addition to the official undercount. This has become a critical part of the argument because there are those who claim that an adjustment which includes these persons will unconstitutionally shift representation to persons who are in the country illegally. This argument surely will be contested in court.

Thirdly, many feel that the dollar benefits to be gained from an adjustment are not worth it. This is so because a fixed number of dollars are distributed among a vast number of jurisdictions; and also because population is usually only one of the variables considered in making the distribution. Thus, it is concluded that the impact of population on the distribution of dollars is very small and sometimes unpredictable.

These arguments against making adjustments – an issue that is virtually certain to be voted upon by Congress – have not muted the critics. Very reputable statistical experts outside of the government have shown that by using a method involving repetition and verification of Census counts on levels as small as city blocks – a method presently being used for some enumeration purposes – it is possible for the Census to be adjusted without introducing unknown errors such as those resulting from making similar percentage adjustments for all categories.

The critics also argue that, while the size of the undercount may be falling, there remain very significant distributional effects due to the fact the the rates are high among those persons who are most likely to be concentrated in certain urban areas. Cities such as Miami, Los Angeles, Detroit, Richmond, New York City, Dallas, and Atlanta are examples of areas where the undercount is often high. In these areas, the impact of the undercount (while small on the national level) can result in serious losses of both dollars and representation.

A corollary to this argument is that the very purpose of tying certain aid to population size is because both population size and characteristics are used as indicators of need. Thus, the Census undercounts the very persons that the dollars are intended to help and penalizes those communities which are most needy. Therefore, they conclude that given the fact that there is a known and feasible method of correcting the errors in the Census, a greater level of fairness to people as well as places will be attained if the adjustment is made.

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 331 **April, 1988**

Business in Virginia March, 1988 Data

Last year at this time, nearly all of Virginia's economic indicators were registering slower growth than in the first quarter of the preceding year - Virginia's economic growth was decelerating as expected.

A mild deceleration in Virginia's growth is expected for the year 1988. But, for now we have just the opposite result: Virginia's economic growth, both in March and for the first quarter of 1988, is higher than for the same period last year, for all of our economic indicators except bank debits (dollar volume of checks cashed) and retail sales. Especially in payroll jobs we have a continuing boom that resembles a stampede - not even the October stock market crash slowed it or caused it to waver. We will review the specific developments first for the current month and then for the year to date (all growth rates are the percentage changes from the same period a year ago).

Most Recent Month. Seven of the nine indicators in Table II are based on March data. Of these seven, only bank debits and our sample of retailers recorded worse performances statewide than last March, with declines of 14.5% and 1.3%, respectively. The other five not only achieved gains statewide, but larger gains than in March 1987. Building permits across Virginia jumped 23.8% this March, compared to an 8.1% rise last March, indicating extraordinary optimism among Virginia's building contractors. New car registrations climbed by 6.5%, about on par with the national increase of 7.8%. The other March gains were advertising linage, up 4.9%; electricity consumed, +3.4%; and water consumed, +1.8%.

Two indicators are lagged, showing February data. Nonagricultural employment rose a strong 4.6% in February, well above the nation's February-February growth of 3.1%. February retail sales in Virginia, as reported in Department of Taxation sales tax data, were a major weak spot in the recent numbers, showing a drop of 1.9% (nationally, total retail sales excluding the automotive group rose 2.6% in February). That decline plus our sample's March decrease is worrisome, but other signs indicate Virginians' planned consumption will exceed last year's level. Therefore we look for moderate retail gains in the coming months.

First Quarter. Table III shows the first quarter growth rates for the Virginia economy for seven of our indicators, and January-February rates for payroll jobs and taxable sales. For the full quarter, the dollar value of building permits across Virginia rose by 14.8%, more than double the approximately 6% national increase.

New car registrations for the quarter rose 10.5% statewide, a strong gain but well below the 16.9% national increase. For the quarter, our retail sample shows a small decline in sales per store, but the January-February taxable sales measure (using the December-January average as the first month, as explained in the last issue) shows a 4.1% rise, slightly better than the comparable national increase of 3.8%.

Electricity consumed was up 7.2% in the first quarter; and water consumption, 3.2%. Through February, nonagricultural payroll employment was up 4.5%. The growth of these three inputs points to strong growth in Virginia's output of goods and services in the first quarter, higher than was being experienced at this time last year.

In sum, Virginia in the first quarter recorded strong growth by most economic measures. This growth, coupled with the upward revision of the 1987 employment estimates (see the second article), means the current level of economic activity in Virginia is considerably higher than we expected last November. That high level and the current momentum insure there will not be a recession in Virginia in 1988. Last November the appropriate question seemed to be how much below expectations Virginia's 1988 economic performance might be. Today, the appropriate question is just the opposite: how much above our initial expectations will Virginia grow in 1988?

RLP

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change March, 1988 from March, 1987

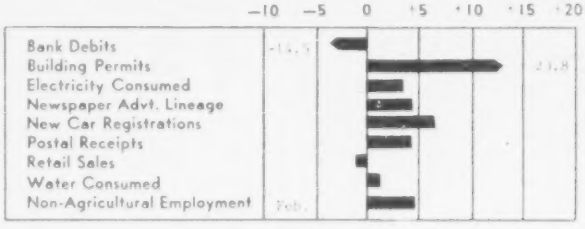
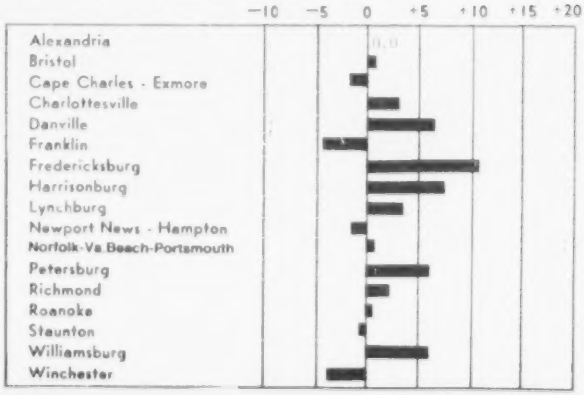


Chart II

City Indices

Percentage Change March, 1988 from March, 1987



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I March, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	February NON AGRI-CULTURAL EMPLOYMENT	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		198.8	287.0	162.1	105.8	165.9	141.9	87.3	188.3	395.6
Alexandria	152.1	526.7	2081.4	183.1	N.A.	144.8	193.0	94.9	149.0	N.A.
Bristol	147.0	N.A.	68.6	131.8	70.8	116.4	116.8	97.7	128.4	404.3
Cape Charles - Exmore	131.2	N.A.	341.9	160.6	N.A.	86.6	N.A.	N.A.	123.2	192.2
Charlottesville	181.5	200.7	189.1	148.9	N.A.	130.3	114.1	119.4	209.6	310.7
Danville	126.6	N.A.	233.3	108.9	140.5	94.1	98.5	76.2	N.A.	241.5
Franklin	148.7	N.A.	456.5	130.5	148.8	80.3	N.A.	89.1	145.2	305.2
Fredericksburg	329.9	220.9	112.7	N.A.	176.2	212.0	N.A.	76.7	241.3	1120.4
Harrisonburg	175.0	268.2	499.7	N.A.	177.1	94.6	N.A.	143.1	162.8	321.7
Lynchburg	239.2	403.7	111.2	141.1	N.A.	97.7	97.8	120.3	188.7	890.4
Newport News - Hampton	116.6	N.A.	561.2	136.9	94.5]	93.9	140.0]	105.0	120.9	N.A.
Norfolk - Portsmouth	148.6	527.4	279.8	177.5		110.4		82.2	197.5	N.A.
Petersburg	134.3	213.1	77.2	N.A.	34.8	85.6	132.2]	97.1	146.2	286.3
Richmond	154.0	419.7	133.3	176.0	129.1	126.1		101.6	116.3	350.0
Roanoke	167.4	318.5	58.7	120.7	179.1	74.9	120.0	103.9	174.5	384.2
Staunton	130.0	157.5	206.9	N.A.	97.2	96.6	N.A.	N.A.	115.8	238.8
Williamsburg	177.9	165.1	148.8	180.3	N.A.	130.5	N.A.	89.2	159.4	367.0
Winchester	141.8	401.3	69.7	146.3	N.A.	137.3	N.A.	N.A.	N.A.	N.A.

TABLE II March, 1988

Percentage Change from same month last year.

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Feb. NON AGRI-CULTURAL EMPLOYMENT#	WATER CONSUMED	RETAIL SALES †	Feb. RETAIL SALES ‡
The State		-14.5	23.8	3.4	4.9	6.5	4.6	1.8	-1.3	-1.9
Alexandria	0.0	17.7	95.4	6.6	N.A.	10.9	6.6	13.3	-16.2	11.2
Bristol	1.1	N.A.	19.6	9.0	-9.6	33.3	6.7	8.0	-5.8	-19.9
Cape Charles - Exmore	-2.1	N.A.	260.0	1.4	N.A.	3.0	N.A.	N.A.	1.4	-21.0
Charlottesville	2.9	-36.9	-74.7	-4.8	N.A.	3.1	7.0	1.3	11.3	-17.2
Danville	6.0	N.A.	252.7	1.1	11.6	24.5	1.3	-8.2	N.A.	5.9
Franklin	-4.9	N.A.	284.8	-3.5	7.5	-32.9	N.A.	-12.1	6.3	-17.2
Fredericksburg	10.9	6.7	-43.2	N.A.	6.6	14.9	N.A.	22.6	13.7	-9.2
Harrisonburg	7.3	-2.8	-35.8	N.A.	27.1	-7.4	N.A.	16.9	6.0	-3.4
Lynchburg	2.9	0.0	-71.4	1.4	N.A.	14.6	-0.4	6.4	5.4	-14.9
Newport News - Hampton	-1.5	N.A.	77.6	1.4	2.7]	-7.0	3.6]	-6.4	-0.7	-5.5
Norfolk - Va. Beach - Portsmouth	0.8	-24.2	3.3	1.4		1.3		-0.4	1.2	-5.2
Petersburg	5.9	28.4	-54.7	N.A.	0.3	23.5	4.0]	-6.6	14.1	-16.4
Richmond	2.3	-13.2	-20.0	2.3	-0.2	0.7		9.7	3.9	-7.6
Roanoke	0.6	-17.7	-37.7	2.4	8.1	-2.9	0.8	1.5	0.9	-7.6
Staunton	-0.4	6.0	-35.3	N.A.	8.6	30.5	N.A.	N.A.	-7.4	-19.0
Williamsburg	6.0	-4.7	213.3	5.3	N.A.	14.9	N.A.	16.6	7.4	-17.3
Winchester	-4.4	7.7	-44.2	-0.6	N.A.	-2.1	N.A.	N.A.	N.A.	-10.6

TABLE III

Percentage Change January – March from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Feb. NON AGRI-CULTURAL EMPLOYMENT #	WATER CONSUMED	RETAIL SALES †	Jan.-Feb. RETAIL SALES ‡
The State		-6.9	14.8	7.2	1.8	10.5	4.5	3.6	-0.3	4.1
Alexandria	0.9	8.6	86.5	8.7	N.A.	7.0	6.5	2.7	-9.8	11.6
Bristol	0.2	N.A.	68.8	3.3	-13.5	28.4	5.6	4.3	-5.4	-10.3
Cape Charles - Exmore	6.3	N.A.	137.6	6.7	N.A.	39.3	N.A.	N.A.	-0.4	-7.2
Charlottesville	8.2	-36.5	-13.9	4.6	N.A.	23.3	7.2	2.9	8.9	3.0
Danville	14.0	N.A.	12.2	4.2	9.3	36.1	2.2	-1.2	N.A.	13.2
Franklin	-4.7	N.A.	238.7	-2.7	6.0	-19.7	N.A.	+6.2	-2.6	-12.2
Fredericksburg	6.5	12.3	-68.6	N.A.	3.8	3.0	N.A.	23.4	4.5	-0.3
Harrisonburg	7.4	9.5	-59.1	N.A.	22.5	12.2	N.A.	13.6	-1.4	7.5
Lynchburg	2.3	-5.3	-63.8	4.2	N.A.	14.5	0.2	-3.2	3.0	-9.5
Newport News - Hampton	-0.3	N.A.	19.3	3.9	-3.6]	-4.3	3.2]	-1.7	0.1	0.1
Norfolk - Va. Beach - Portsmouth	3.6	-19.5	-60.8	10.3		0.8		3.9	6.6	-1.8
Petersburg	7.5	44.1	48.3	N.A.	-2.8	35.1	4.1]	16.4	4.5	-6.4
Richmond	4.2	-2.7	-7.0	6.2	4.1	12.2		7.3	0.1	1.5
Roanoke	2.4	-4.6	45.5	5.4	4.1	0.8	1.2	8.4	-1.4	6.0
Staunton	16.0	1.8	-16.1	N.A.	7.9	40.4	N.A.	N.A.	18.8	-8.9
Williamsburg	2.1	-2.6	12.2	4.8	N.A.	15.9	N.A.	-0.3	0.0	-5.4
Winchester	10.0	7.9	-50.6	2.1	N.A.	24.9	N.A.	N.A.	N.A.	2.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
#Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
]Only total MSA data are available for these areas

N.A. — Not Available
O.O. — No Change

Employment Growth in Virginia, 1987

John B. Schisa, Bureau Research Staff

The annual benchmark revision of the Virginia Employment Commission's nonagricultural employment data has been released, providing updated estimates of 1986 and 1987 payroll employment. Included in the data are nonagricultural employment levels for the state and its eight Metropolitan Statistical Areas (MSAs) by industry category. As in past years, the Bureau has constructed two tables to track Virginia's performance, overall and in nine industry groups. Geographically, the tables cover the state, the nonmetropolitan areas, the sum of the MSAs, and each individual MSA. Table IV shows the 1987 nonagricultural employment levels and Table V provides the 1986-1987 growth rates in percentages.

Total nonagricultural employment grew at a very strong 4.7%, an increase of 120,400 jobs. This growth was well above the Bureau's forecast and the preliminary monthly employment reports, both of which estimated the increase at 3.0%. The actual gain of 4.7% is stronger than the 4.2% rise in 1986. Thus payroll job growth did not decelerate in Virginia in 1988, even though other measures such as real income and real retail sales did grow at slower rates.

Four industry groups represented the bulk, 86%, of this growth. Numerically, Services led the way with 47,100 new jobs, an 8.1% increase. Wholesale and Retail Trade was second with 31,400 new jobs, up 5.4%. Finance, Insurance, and Real Estate (FIRE) and Construction were also healthy with 12,100 (+9.2%) and 12,500 new jobs (+7.4%), respectively. The other 5 industry groups had positive growth ranging from Transportation and Public Utilities' increase of 5,100 jobs (+3.7%) to the Durable Goods Manufacturing addition of 200 jobs (0.1%). Honorable mention goes to State and Local Government for an increase of 6,500 jobs (0.8%).

Contrary to Bureau expectations, the Northern Virginia MSA posted an impressive accelerating gain with job growth rising to 7.4% (48,000 new jobs) in 1987 from 6.7% in 1986, remaining the pacesetter for the state. The Northern Virginia increase was 40% of the total state gain and raised the area's payroll employment to 707,300 total jobs. This MSA led in all industry groups except Durable Goods Manufacturing in the number of jobs added. The 22,500 new service jobs in Northern Virginia alone exceeded the total job growth in the Hampton Roads and Richmond-Petersburg metropolitan areas of 20,000 and 19,600, respectively. In terms of percentage growth rates, North ern Virginia led in Nondurable Goods Manufacturing, +5.1%; Transportation and Public Utilities, +8.3%; State and Local Government, +5.2%; and, most impressively, Services, +11.3%.

NONAGRICULTURAL EMPLOYMENT IN VIRGINIA

TABLE IV Average Employment in Thousands, 1987

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	2678.1	201.5	227.5	182.0	142.2	610.4	143.9	626.4	170.0	356.4
Nonmetro Areas	654.6	1.6	77.3	44.3	27.7	133.5	17.3	118.6	17.5	97.0
Sum of SMSAs	2023.5	200.0	150.0	137.7	114.5	476.9	126.6	507.8	152.5	261.4
Northern Virginia	707.3	36.[illegible]	74.5	52.4	49.5	139.9	46.1	222.5	74.7	88.4
Bristol	31.1	10.4	4.4	0.9	1.1	3.8	1.2	4.7	0.4	4.0
Charlottesville	63.1	3.[illegible]	1.1	3.6	2.2	11.2	3.5	11.7	1.3	20.9
Danville	46.1	6.2	13.8	1.7	1.0	6.4	1.2	5.8	0.3	4.7
Lynchburg	71.8	13.4	8.4	3.4	2.9	14.3	3.8	14.1	0.5	8.9
Hampton Roads	551.1	48.7	18.9	19.3	26.0	115.3	26.8	129.7	35.4	71.1
Richmond/ Petersburg	499.3	18.9	43.9	29.7	22.9	104.9	35.9	91.6	16.5	72.9
Roanoke	129.1	11.9	8.0	7.1	8.9	12.9	8.1	27.3	3.4	11.9

TABLE V Employment Percentage Changes, 1986-1987

Area	Total Non-Agricultural Employment	Durable Goods Manufacturing	Nondurable Goods Manufacturing	Construction	Transportation and Public Utilities	Wholesale and Retail Trade	Finance Insurance and Real Estate	Services	Federal Government	State and Local Government
The State	4.7	0.1	5.1	7.4	3.7	5.4	9.2	8.1	1.1	1.8
Nonmetro Areas	3.7	1.3	5.9	3.1	1.1	3.8	1.8	5.4	-0.5	-0.9
Sum of SMSAs	5.0	-0.1	5.1	8.1	5.5	6.1	10.2	9.9	1.5	2.8
Northern Virginia	7.4	0.2	5.1	9.2	8.3	9.2	11.9	11.1	2.3	3.2
Bristol	3.3	1.0	-0.2	0.0	0.0	-1.0	20.0	4.4	0.0	-2.1
Charlottesville	4.1	0.0	0.1	9.1	4.8	8.1	12.9	3.1	8.3	1.0
Danville	0.0	-0.1	2.2	-10.5	0.0	1.1	0.0	0.0	0.0	-2.2
Lynchburg	3.0	0.0	11.4	0.0	0.0	5.9	10.4	1.4	0.0	-4.3
Hampton Roads	3.8	0.0	0.1	0.0	0.0	4.0	0.0	0.1	-0.4	-2.7
Richmond/ Petersburg	4.1	0.1	-0.7	0.0	4.1	0.0	5.5	3.2	1.8	2.4
Roanoke	2.4	-0.1	-1.0	0.0	-0.4	4.8	5.5	1.8	0.0	0.5

The Richmond-Petersburg MSA also experienced accelerating job growth, increasing its growth rate from 3% in 1986 to 4.7% last year, an increase of 19,600 jobs. The most jobs were added in Services (+7,700) and Wholesale and Retail Trade (+3,500). Services and Construction recorded the strongest percentage gains at 9.2% and 10.8%, respectively. The Richmond-Petersburg MSA employment levels remained dominant in Nondurable Goods Manufacturing and State and Local Government. However, growth rates were mixed in these important sectors, with a decline of 0.9% in the former and a moderate increase of 2.4% in the latter.

The Charlottesville MSA recorded close to a doubling of its job growth rate, from 2.5% in 1986 to 4.5% in 1987, adding 2,800 new jobs. Although its growth rates in individual industries generally were not the highest among the eight MSA's, Charlottesville displayed exceptional balance, with superior growth rates in all but two of the nine industry groups. The two most rapidly growing industries in percentage terms were FIRE, up 12.9%, and construction, with a gain of 9.1%. In sheer numbers, though, the increase of 1,000 jobs in Wholesale and Retail Trade and of 800 Service sector jobs accounted for almost two-thirds of the Charlottesville job growth.

The Hampton Roads MSA had the next best growth rate, a stable 3.8% representing 20,000 additional jobs. This gain came mostly from Services (+9,700), Wholesale and Retail Trade (+5,300) and FIRE (+2,400). These industry groups along with Nondurable Goods Manufacturing and State and Local Government logged moderate growth rates. This growth was tempered by some losses in Federal Government (-0.4%) and Durable Goods Manufacturing jobs (-3.6%). Hampton Roads still dominates total Durable Goods Manufacturing employment in Virginia despite this loss.

The Roanoke MSA continued its decelerating employment growth at 2.3% in 1987 (down from 3.5% in 1986) with a total increase of 2,700 jobs. Most of the increase came from Wholesale and Retail Trade (+1,500 jobs) and Services (+1,000 jobs). These two industries as well as Construction and FIRE had moderate to strong growth rates. Significant percentage losses in the Manufacturing industries and Transportation and Public Utilities coupled with flat growth in the Government sectors checked the good gains in Wholesale and Retail Trade, Services, Construction, and FIRE, holding down Roanoke's overall employment growth.

Among the three remaining MSAs, Bristol recorded a 3.3% gain with Danville not far behind at 3.1% while Lynchburg trailed with a 2% growth rate. For Danville and Lynchburg, these 1987 growth rates exceeded their 1986 performances. Danville's growth (1,200 new jobs) was either positive or flat across the nine industries - no minuses this year. The Danville MSA led all others in Construction with a growth rate of 21.4% (300 new jobs) after a flat 1986. The Lynchburg MSA showed strong growth in FIRE, +15.2%, Construction, +9.7%, and Wholesale and Retail Trade, +7.4%, for an overall addition of 1,400 jobs. This growth was impeded by losses in Nondurable Goods Manufacturing, -3.4%, and State and Local Government, -1.1%.

The Bristol MSA led all MSAs in Durable Goods Manufacturing with a growth rate of 11.5% and 600 new jobs, and in percentage growth of the FIRE sector with a growth rate of 20%. However, Bristol's overall employment growth was hindered by losses in Nondurable Goods Manufacturing and State and Local Government and little growth in the remaining industries. All three of these MSAs show a continued resurgence in the Manufacturing industries as sources of new jobs as well as a generally moderate to strong showing in most of the nonmanufacturing industries.

Historically, nonagricultural employment growth has been concentrated in Virginia's MSAs, and 1987 reaffirmed this fact. The MSAs increased their share of total nonagricultural employment to 75.6% by providing 97,200 new jobs, 81% of the state's total growth. The three largest MSAs once again dominated this growth, adding 88,100 new jobs, 73.2% of Virginia's total payroll job growth. JBS

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 332 **May, 1988**

Business In Virginia April, 1988 Data

In last month's issue we reported that the Virginia economy grew strongly in March and the full first quarter, with the notable exception of retail sales.

The April statistics show a pause in economic growth, as if the economy were catching its breath. Of the seven indicators for which we have April data, only Electricity Consumption increased compared to last April, up 4.9 percent. Four indicators revealed a leveling off during April: Building Permits, down 0.7 percent; New Car Registrations, off 0.1 percent; Retail Sales (April Store Sample), -1.2 percent; and Water Consumed, -2.4 percent. Two more recorded clear declines: Newspaper Advertising Lineage, down 4.8 percent; and Bank Debits, off 7.9 percent.

A one-month pause for a series that has shown strong growth-true for most of our indicators- is a frequent occurrence, no cause for alarm. However, the continuing softness in retail trade is worrisome. Retail sales subject to Virginia's general sales and use tax fell 1.9 percent in February (compared to February 1987) and 1.7 percent in March (last column, Table II). Our sample of retail stores reported decreases in sales per store of 0.4 percent in February, 1.3 percent in March, and now 1.2 percent in April.

Virginia households have not been buying quite as much of general retail trade goods as last spring. Why? The stock market crash? A loss of confidence? No, on both counts. Lack of jobs and income? Definitely not. Virginia's payroll jobs grew by 4.5 percent during the first quarter, and total resident income increased by 7.6 percent in 1987.

The most likely reason is Virginians went on a spending spree last fall and now want, or need, to bring their budgets into balance. The average monthly increase in Virginia's taxable retail sales from September through January was 12.6 percent, while the total income of Virginia residents was growing at less than 8 percent. Spending growth had to slow down soon, and it definitely did this spring. Once households' budgets are back in line, we expect taxable sales again will grow, but at a moderate rate more in line with income gains. RLP

Virginia's Per Capita Personal Income

The Bureau of Economic Analysis of the U.S. Department of Commerce on April 20 released their latest estimates of state personal income. Their current esti mates put Virginia up where it belongs for both 1986 and 1987: they now show Virginia ranked tenth among all states in personal income per capita in both years. You may recall that the BEA's April 1987 estimates had placed us in the top 10 for 1986, but their August 1987 revisions moved us to the eleventh spot. They now have corrected their August injustice to us, restoring our 1986 rank to tenth as well as placing us firmly in that same number 10 position for 1987 with an income per capita of $16,322, exceeding the national average by $982.

Table IV shows the income per capita for the top ten states and the national average for 1986 and 1987 along with the growth rates (in current dollars) for those two years. For 9 of the top 10 states, personal income growth slowed in 1987. Only Alaska, recovering from recession conditions, improved its performance in 1987. More generally, 37 of the 50 states experienced slower nominal growth in 1987; and, after adjusting for inflation, the average real gain was the smallest since 1982.

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change April, 1988 from April, 1987

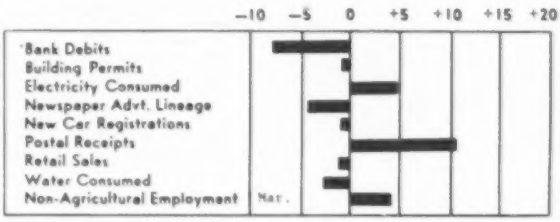
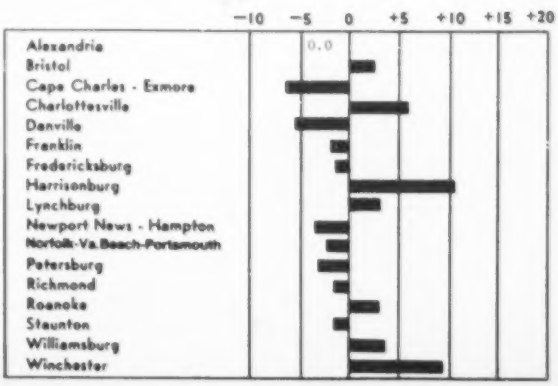


Chart II

City Indices

Percentage Change April, 1988 from April, 1987



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I April 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	March NON AGRI-CULTURAL EMPLOYMENT◊	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		428.8	171.8	142.1	114.4	159.1	141.5	87.5	153.5	440.5
Alexandria	158.4	499.2	142.1	150.8	N.A.	132.9	197.4	90.1	176.1	N.A.
Bristol	110.1	N.A.	161.8	112.2	70.9	104.8	117.9	107.9	122.4	N.A.
Cape Charles - Exmore	154.1	N.A.	481.4	N.A.	N.A.	103.1	N.A.	N.A.	106.3	348.1
Charlottesville	198.4	176.4	111.5	129.9	N.A.	110.2	114.6	122.5	262.5	322.8
Danville	131.2	N.A.	472.4	103.3	125.6	86.4	99.3	90.1	N.A.	282.3
Franklin	130.8	N.A.	158.2	105.8	124.2	96.7	N.A.	81.0	117.7	285.8
Fredericksburg	320.6	217.3	142.5	N.A.	184.1	181.3	N.A.	75.7	254.7	1038.8
Harrisonburg	195.4	271.2	621.6	N.A.	173.6	94.6	N.A.	142.6	205.5	340.6
Lynchburg	252.1	507.0	162.6	122.6	N.A.	112.5	100.3	118.3	188.9	997.6
Newport News - Hampton	132.4	N.A.	292.2	126.2	93.6]	83.3	141.6]	100.0	171.4	N.A.
Norfolk - Portsmouth	150.7	580.5	243.4	154.7		105.4		81.0	187.6	N.A.
Petersburg	140.6	126.9	76.8	N.A.	33.6	70.7	133.6]		177.1	250.2
Richmond	176.5	454.7	179.2	157.5	123.5	132.4	N.A.	105.1	166.4	396.8
Roanoke	178.1	364.5	N.A.	107.8	160.9	88.6	120.6	102.4	207.1	402.5
Staunton	145.4	151.8	90.7	N.A.	94.9	89.9	N.A.	N.A.	136.9	277.1
Williamsburg	177.7	157.6	16.1	169.0	N.A.	118.6	N.A.	101.4	157.8	381.5
Winchester	203.5	408.2	58.7	141.7	326.7	142.0	N.A.	N.A.	N.A.	N.A.

TABLE II April, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	March NON AGRI-CULTURAL EMPLOYMENT ◊	WATER CONSUMED	RETAIL SALES †	March RETAIL SALES ‡
The State		-7.9	-0.7	4.9	-4.8	-0.1	4.4	-2.4	-1.2	-1.7
Alexandria	0.0	10.6	125.2	8.7	N.A.	3.5	6.2	-2.6	-2.7	-7.9
Bristol	2.6	N.A.	11.5	2.2	-8.8	45.6	5.6	1.7	-9.3	4.6
Cape Charles - Exmore	-8.4	N.A.	14.9	N.A.	N.A.	23.3	N.A.	N.A.	-16.7	-5.0
Charlottesville	5.1	-41.8	560.7	1.3	N.A.	-2.9	6.0	6.1	10.1	1.6
Danville	-5.2	N.A.	403.1	-4.3	-11.4	0.0	2.0	-34.7	N.A.	17.2
Franklin	-1.9	N.A.	8.5	-5.3	-4.5	1.7	N.A.	-9.9	-3.8	14.6
Fredericksburg	-1.5	2.6	-46.6	N.A.	1.1	-0.7	N.A.	22.0	-5.8	-15.7
Harrisonburg	11.3	-9.1	80.0	N.A.	12.0	-8.8	N.A.	14.4	17.1	10.1
Lynchburg	2.7	17.6	-0.1	0.9	N.A.	19.5	1.8	6.1	-2.5	0.8
Newport News - Hampton	-3.6	N.A.	28.3	6.1	-2.7]	-22.5	3.5]	-12.9	3.9	-15.8
Norfolk - Va. Beach - Portsmouth	-2.2	-13.4	-3.8	2.9		-13.0		3.1	-1.9	-7.5
Petersburg	-2.9	-54.3	-69.1	N.A.	-14.9	-3.8	3.8]	13.2	-7.4	0.6
Richmond	-1.5	-7.6	-55.3	4.8	-9.6	2.9		9.2	-7.3	-3.1
Roanoke	2.8	-7.1	N.A.	2.1	-10.4	11.2	0.3	1.5	0.8	18.1
Staunton	-1.6	-8.2	36.9	N.A.	-1.4	-6.0	N.A.	N.A.	-1.1	1.3
Williamsburg	4.0	-13.8	23.2	7.9	N.A.	15.7	N.A.	11.9	0.6	-9.2
Winchester	9.6	15.5	-57.7	3.7	3.5	13.2	N.A.	N.A.	N.A.	17.9

TABLE III

Percentage Change January - April from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS PAPER ADV LINAGE	NEW CAR REGIS-TRATIONS	Jan.-Mar. NON AGRI-CULTURAL EMPLOYMENT◊	WATER CONSUMED	RETAIL SALES †	Jan.-Mar. RETAIL SALES ‡
The State		-7.2	10.8	6.7	-0.2	7.5	4.5	2.0	-0.6	2.3
Alexandria	-0.7	9.1	89.7	8.7	N.A.	6.1	6.4	1.3	-8.0	-3.7
Bristol	0.9	N.A.	34.2	5.1	-12.3	31.2	5.6	3.6	-6.4	-6.0
Cape Charles - Exmore	2.0	N.A.	88.3	N.A.	N.A.	34.3	N.A.	N.A.	-5.9	-6.5
Charlottesville	7.5	-32.8	53.4	3.9	N.A.	14.6	6.7	3.7	9.3	3.2
Danville	11.9	N.A.	74.0	1.4	2.8	37.4	2.0	13.4	N.A.	14.5
Franklin	-4.1	N.A.	165.0	1.1	3.2	-15.0	N.A.	-7.1	-3.0	-5.9
Fredericksburg	4.1	9.6	-48.1	N.A.	3.0	3.5	N.A.	23.0	1.4	-5.1
Harrisonburg	9.0	4.1	-33.1	N.A.	19.1	6.0	N.A.	13.8	5.2	8.3
Lynchburg	2.4	0.4	-5.3	3.5	N.A.	15.9	0.8	-0.9	1.5	-4.4
Newport News - Hampton	-1.3	N.A.	21.3	4.4	-3.5]	-10.1	3.5]	-6.5	1.2	-5.1
Norfolk - Va. Beach - Portsmouth	2.0	-17.9	-1.6	8.7		-3.0		3.7	4.0	-3.6
Petersburg	4.5	6.7	4.2	N.A.	-6.2	23.8	4.1]	15.6	1.0	-4.0
Richmond	2.4	-4.1	-31.1	5.8	0.0	9.5		7.8	-2.2	1.4
Roanoke	2.5	-5.2	N.A.	4.7	-0.2	3.7	0.6	6.6	-0.8	9.6
Staunton	10.7	2.5	-9.2	N.A.	5.2	25.2	N.A.	N.A.	13.2	-5.9
Williamsburg	1.3	-5.7	12.5	5.5	N.A.	6.8	N.A.	1.0	0.1	-6.6
Winchester	10.3	9.8	-52.8	2.5	N.A.	21.5	N.A.	N.A.	N.A.	7.2

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.
◊Virginia Employment Commission data which lags behind current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which lags behind current reports.
] Only total MSA data are available for these areas

N.A. -- Not Available
0.0 -- No Change

Virginia's per capita income growth did decelerate from 6.4% in 1986 to 5.6% in 1987. The slowdown was the product of slower growth in total personal income, 7.6% versus 8.1%, and higher population growth, 1.9% compared to 1.6%. The high population growth, fueled by inmigration, can be expected to continue in the near future due to our well-above-average job growth, even though total income growth is slowing down. Therefore the per capita income growth most likely will continue to slow modestly this year. However, from the table you will see that in 1986 and 1987 our per capita growth not only exceeded the national average but also the growth rates of five of the nine states with incomes higher than ours.

We are continuing to close the gap relative to those five states, in particular the gap between us and Illinois: their $25 advantage in 1987 will be wiped out in 1988 if we maintain even a small differential over their growth rate. Furthermore, our immediate competition for the top ten, Delaware (11) and Nevada (12), both are growing more slowly than Virginia. Our top ten ranking appears quite secure at this time, with a high probability that next April's BEA report will show Virginia's per capita income is the ninth highest in the nation.

Metropolitan Area Personal Income, 1986

On May 4 the Bureau of Economic Analysis released their estimates of resident personal income income per capita through 1986 for each of the 317 Metropolitan Statistical Areas (MSAs) in the nation. Data for the eight MSAs either totally or partially within Virginia's borders are presented in Table V, on the back page. The first two columns show the per capita income and income as a percent of the national average.

Four of the metropolitan areas had 1986 per capita incomes clearly below the national average; two, Roanoke and Charlottesville, were within a few dollars of the average; and only two, the Washington, D.C.-Maryland-Virginia MSA (henceforth referred to as the Washington MSA) at 137.6 percent and the Richmond-Petersburg MSA at 111.9 percent, had incomes per person clearly above the nation's average. These latter two MSAs also were the only area ones whose per capita income exceeded the Virginia average. Thus, the income per person in six of Virginia's eight MSAs is not exceptional: more than average by national standards, and below average for Virginia.

How do these MSAs' per capita incomes compare to those in other metropolitan areas? There are 317 such areas, so the top 79 would be the upper quartile. The Washington MSA, ranked tenth in the nation, and Richmond-Petersburg, ranked forty-sixth, were Virginia's two members of that top group. Three MSAs, Charlottesville (#89), Roanoke (#90), and Norfolk-Virginia Beach-Newport News (#134), fell in the second quartile, or top fifty percent of the nation's metropolitan areas. However, three of the state's MSAs were ranked in the bottom quartile, the 79 lowest income (per person) MSAs in the nation: Lynchburg, in position number 248; Danville in the 271 spot; and the Johnson City-Kingsport-Bristol TN-VA MSA ranked 297 out of 317 with a per capita income of $10,749.

Are differences in growth rates closing the income gap among Virginia's MSAs? The answer is no. The last column of Table V shows the percentage change in per sonal income per capita for each MSA, Virginia, and the nation for the period 1984-1986. The three highest income MSAs also were the three most rapidly growing ones in Virginia: Washington, Richmond-Petersburg, and Charlottesville were 1-2-3 in level of income per capita and 2-1-3 in 1984-1986 growth rates. At the other end, Lynchburg, Danville, and Johnson City, etc. ranked 6-7-8 in level of individual income and 7-8-6 in rates of growth.

Virginia's experience parallels the nation's. At the national level the 15 MSAs with the highest per capita income generally had high 1984-1986 growth, while the 15 lowest in level also tended to have low recent growth. In Virginia at least, the high income, high growth areas are ones where service jobs (public, including government, as well as private) dominate, while the low income, low growth MSAs are those with relatively high job shares in manufacturing. Through 1986, manufacturing was not a strong contributor to MSA growth. We look forward to a more prominent role for manufacturing, particularly the export-related industries.

RLP

TABLE IV STATE PER CAPITA PERSONAL INCOME, 1986 and 1987

	Dollars Per Capita		Rank Among All States		Percent Change	
	1986	1987	1986	1987	1985-86	1986-87
Connecticut	$19,625	$20,980	1	1	7.5%	6.9%
New Jersey	18,866	20,067	2	2	7.0	6.4
Massachusetts	17,657	18,926	4	3	8.2	7.2
New York	16,958	18,055	5	4	7.3	6.5
Alaska	18,016	17,886	3	5	-2.6	0.7
Maryland	16,863	17,722	6	6	5.6	5.1
California	16,863	17,661	7	7	5.1	4.7
New Hampshire	16,321	17,133	8	8	6.3	5.0
Illinois	15,533	16,347	9	9	5.4	5.2
Virginia	15,461	16,322	10	10	6.4	5.6
United States	$14,676	$15,340	--	--	5.2%	4.8%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, April 20, 1988

TABLE V

VIRGINIA METROPOLITAN AREA PER CAPITA PERSONAL INCOME, 1986

	Per Capita Personal Income 1986	Percent of National Average 1986	Rank Among 317 Metropolitan Areas 1986	Total Percent Change 1984-1986
Washington, DC-MD-VA	$20,148	137.6	10	15.0%
Johnson City-Kingsport-Bristol, TN-VA	$10,749	73.4	297	11.2%
Charlottesville, VA	$14,678	100.3	89	16.6%
Danville, VA	$11,560	79.0	271	7.2%
Lynchburg, VA	$11,970	81.8	248	9.9%
Norfolk, VA Beach-Newport News, VA	$13,866	94.7	134	12.9%
Richmond-Petersburg, VA	$16,385	111.9	46	14.4%
Roanoke, VA	$14,623	99.9	90	12.5%
Commonwealth of VA	$15,461	105.6	--	14.0%
Unites States	$14,639	100.0	--	11.6%

Source: Bureau of Economic Analysis, U.S. Department of Commerce, May 4, 1988.

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VIRGINIA BUSINESS REPORT

BUREAU OF BUSINESS RESEARCH, SCHOOL OF BUSINESS ADMINISTRATION
THE COLLEGE OF WILLIAM AND MARY, WILLIAMSBURG, VIRGINIA

Report No. 333 June, 1988

Business in Virginia May, 1988 Data

After slight declines in April, building permits and new car registrations rose strongly in May compared to May of 1987. Building permits in the seventeen urban areas we track jumped 27.2 percent in May. That brings the cumulative January-May dollar volume to 14.4 percent above the depressed levels for the same period last year, making this year's level almost equal to the early 1986 amounts.

The state total for new car registrations increased 8.0 percent in May, yielding a cumulative 1988 gain of 7.7 percent. As with building permits, that almost offsets the decrease in car demand that occurred in early 1987 and leaves new car sales in Virginia even with the high 1986 volume.

Both planned construction and new car purchases represent demand for durable goods with a long useful life, usually financial with borrowed funds. Therefore the high levels of demand experienced in 1988 can be interpreted as a sign of Virginians' confidence in the state's continued economic health, hence their willingness to make long-term financial commitments.

Both types of demand, though, also are sensitive to interest rates. The decrease in interest rates following the October stock market crash undoubtedly has been a positive force in the spring surge in construction and car demand. A strong economy and rising inflation, along with some tightening of the availability of money by the Federal Reserve, are nudging interest rates back up. Those higher interest rates will dampen future growth in demand for cars and structures, making it unlikely that the January-May increases can be sustained for the full year.

Our sample of retail stores reported a 4.3 percent statewide decrease in sales per store for May compared to the same month last year. That follows an April decline of 1.4 percent, indicating retail buying by Virginians remains below normal, considering the high income growth realized in Virginia in 1987 and continuing in 1988 (see second article). The total taxable sales data now available for April and reported in the last column of Table II give a more optimistic picture, showing a 13.8 percent jump in April taxable sales. That month's data, however, may be distorted by reporting patterns, so the most appropriate comparison of our two retail sales measures is given by cumulative data. Since taxable sales data are only available to us with a month's lag, the January-April taxable sales changes in the last column of this issue's Table III must be compared to the January-April changes for our retail sales sample as reported in last month's issue in Table III.

Such a comparison reveals our sample experienced a 0.6 percent decline in sales per store for the January-April period, while total taxable sales statewide rose 5.4 percent through April (given our January adjustment described in previous issues). The taxable sales reports include all facilities, new and old, while our sample contains the same set of establishments in both years. The difference of six percentage points between these two measures primarily reflects the rapid increases still occurring in retail facilities - malls, centers, and stores. Total retail employment in Virginia in April was 6.2 percent higher than in April 1987,

Chart I

Nine Selected Business & Economic Indicators Percentage Change

Percentage Change May, 1988 from May, 1987

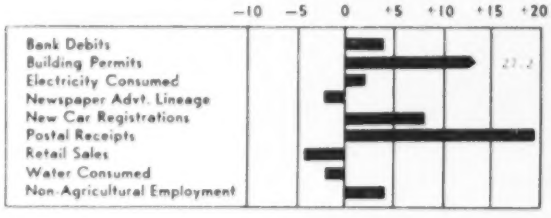
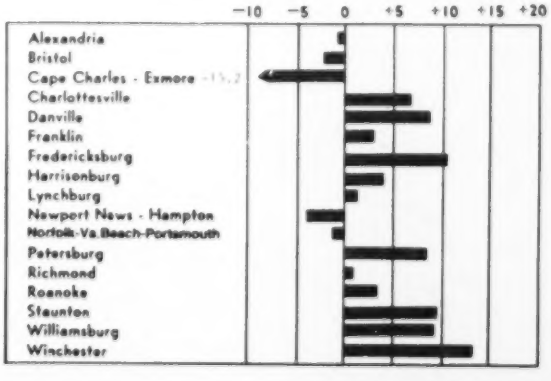


Chart II

City Indices

Percentage Change May, 1988 from May, 1987



SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE I May, 1988

Monthly Index Number Comparisons of Current Month to Same Month in Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	April NON AGRI-CULTURAL EMPLOYMENT /	WATER CONSUMED	RETAIL SALES†	POSTAL RECEIPTS
The State		404.6	238.3	131.5	117.7	199.2	144.8	92.6	148.7	413.9
Alexandria	157.0	500.2	1221.5	144.5	N.A.	168.4	198.6	90.9	165.6	N.A.
Bristol	109.8	N.A.	70.9	97.4	73.6	104.8	120.8	105.2	125.4	N.A.
Cape Charles - Exmore	174.3	N.A.	434.6	110.1	N.A.	662.6	N.A.	N.A.	98.5	193.6
Charlottesville	198.0	188.7	1691.9	122.7	N.A.	161.2	116.6	126.9	245.1	321.2
Danville	140.1	N.A.	146.7	113.1	161.2	121.0	99.8	87.3	N.A.	278.2
Franklin	160.6	N.A.	213.0	111.7	147.6	150.8	N.A.	94.0	120.1	260.5
Fredericksburg	389.8	208.8	228.1	N.A.	179.5	241.8	N.A.	78.9	283.7	1377.0
Harrisonburg	192.2	267.5	690.5	N.A.	176.7	115.1	N.A.	N.A.	162.9	372.6
Lynchburg	265.3	359.1	192.0	116.5	N.A.	117.9	100.6	111.2	192.2	1099.4
Newport News - Hampton	128.1	N.A.	349.7	107.6	99.6	110.1	143.6	109.8	151.3	N.A.
Norfolk - Portsmouth	185.2	529.5	221.1	139.3		145.9		88.2	288.2	N.A.
Petersburg	151.3	98.7	367.8	N.A.	35.9	104.7	133.7	107.1	192.5	231.3
Richmond	173.4	430.5	294.2	145.8	131.3	155.8		111.4	170.3	371.7
Roanoke	176.7	372.8	62.0	102.2	174.3	100.4	120.8	128.2	194.3	381.5
Staunton	149.9	146.2	53.7	N.A.	99.9	101.7	N.A.	N.A.	156.1	229.5
Williamsburg	188.5	161.3	26.0	161.1	N.A.	161.9	N.A.	105.0	153.4	431.8
Winchester	179.6	480.9	490.7	127.0	241.9	169.9	N.A.	N.A.	N.A.	N.A.

TABLE II May, 1988

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	April NON AGRI-CULTURAL EMPLOYMENT /	WATER CONSUMED	RETAIL SALES †	April RETAIL SALES ‡
The State		3.9	27.2	2.3	-2.5	8.0	4.1	-1.5	-4.3	14.8
Alexandria	-0.2	19.7	283.0	4.7	N.A.	11.7	5.9	-11.0	-8.5	13.0
Bristol	-2.4	N.A.	-45.6	-2.1	-11.4	-15.0	6.4	9.1	-7.1	12.8
Cape Charles - Exmore	-15.2	N.A.	72.7	0.3	N.A.	20.3	N.A.	-47.6	-29.1	8.0
Charlottesville	7.3	-36.1	443.6	4.1	N.A.	7.5	5.0	2.9	2.8	29.9
Danville	8.4	N.A.	107.0	1.4	1.4	22.3	1.8	0.0	N.A.	23.2
Franklin	2.7	N.A.	-36.4	6.2	20.5	24.3	N.A.	-12.9	-1.9	-10.5
Fredericksburg	10.3	3.3	-48.8	N.A.	-7.9	27.3	N.A.	16.9	4.9	21.4
Harrisonburg	3.7	11.3	41.9	N.A.	20.0	-1.4	N.A.	N.A.	-7.2	25.2
Lynchburg	1.1	4.4	2.2	3.7	N.A.	-8.9	1.0	-0.2	-0.8	15.6
Newport News - Hampton	-4.4	N.A.	17.2	-5.8	-3.5	1.8	3.5	-16.0	-8.3	5.3
Norfolk - Va. Beach - Portsmouth	-1.0	31.9	3.4	-1.5		1.9		-0.5	-6.8	11.1
Petersburg	8.8	-74.0	3.1	N.A.	-4.2	47.1	3.8	4.7	0.7	16.6
Richmond	0.8	-3.9	-25.6	3.0	-7.1	3.0		2.3	-5.1	17.3
Roanoke	3.3	14.2	10.4	11.0	-4.8	-5.7	-0.8	3.6	1.3	22.8
Staunton	9.9	-1.0	23.4	N.A.	3.4	0.0	N.A.	N.A.	12.8	15.8
Williamsburg	9.7	-10.4	155.8	4.7	N.A.	20.9	N.A.	16.0	3.0	17.3
Winchester	13.3	7.0	222.6	0.4	3.8	22.7	N.A.	N.A.	N.A.	26.9

TABLE III

Percentage Change January - May from same period last year

CITY	CITY INDEX*	BANK DEBITS	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS-PAPER ADV. LINAGE	NEW CAR REGIS-TRATIONS	Jan.-April NON AGRI-CULTURAL EMPLOYMENT /	WATER CONSUMED	RETAIL SALES †	Jan.-April RETAIL SALES ‡
The State		-5.2	14.4	6.0	-0.8	7.7	4.4	1.3	-1.4	5.4
Alexandria	-0.3	11.1	118.1	8.1	N.A.	7.4	7.7	-1.5	-8.1	0.2
Bristol	-0.4	N.A.	4.5	4.2	-12.1	17.5	5.8	3.4	-4.5	-1.6
Cape Charles - Exmore	-1.1	N.A.	84.8	5.7	N.A.	30.5	N.A.	N.A.	-13.1	-3.2
Charlottesville	7.4	-37.5	38.1	3.9	N.A.	12.7	6.3	3.6	7.8	9.2
Danville	6.5	N.A.	77.9	1.4	2.5	27.2	1.8	-10.8	N.A.	18.6
Franklin	-2.7	N.A.	71.8	1.9	6.7	-6.5	N.A.	-8.4	-2.7	-7.2
Fredericksburg	5.5	8.3	-75.3	N.A.	0.4	8.6	N.A.	21.7	2.3	1.2
Harrisonburg	6.9	5.4	-21.0	N.A.	19.3	4.1	N.A.	N.A.	1.7	13.6
Lynchburg	2.0	1.1	-28.6	3.5	N.A.	9.1	0.9	-0.7	1.0	0.4
Newport News - Hampton	-2.0	N.A.	20.4	2.6	-3.4	-7.5	3.5	-7.2	-1.2	-2.7
Norfolk - Va. Beach - Portsmouth	1.2	-11.3	-0.6	6.9		-3.3		2.8	1.4	-0.2
Petersburg	5.3	-20.8	3.8	N.A.	-5.8	28.9	4.0	13.3	1.0	0.8
Richmond	2.1	-4.0	-29.3	5.3	-1.7	7.9		6.6	-2.9	3.2
Roanoke	2.6	-1.7	44.9	5.7	-1.3	1.2	0.3	6.0	-0.4	12.8
Staunton	11.4	1.8	-6.8	N.A.	11.6	18.7	N.A.	N.A.	13.1	-0.8
Williamsburg	3.6	-6.7	15.5	5.3	N.A.	9.8	N.A.	3.8	1.1	0.7
Winchester	11.9	9.2	18.2	2.1	N.A.	21.8	N.A.	N.A.	N.A.	11.9

*Computation of City Index is based upon a weighted arithmetic mean of all business and economic components listed except Building Permits and Bank Debits, which are excluded because of their highly erratic nature.

/Virginia Employment Commission data which lags behind current reports.

†Preliminary data based on a survey sample.

‡Revised data based on sales tax information which lags behind current reports.

?Only total MSA data are available for these cities.

N.A. — Not Available
O.O. — No Change

and that job growth is a good indication of the rate of increase in retail facilities.

Therefore while total retail trade has grown by 5.4 percent, that demand increase has been at least matched, if not exceeded, in most areas by the addition of new retail facilities. The average store in that case ends up with little or no gain in sales, in spite of very good overall economic growth in Virginia. RLP

A New View of 1988 and 1989

The June revisions in economists' national forecasts for 1988 can be summarized in one word: up. The June 10 issue of Blue Chip Economic Indicators showed 46 of their 51 regularly cited forecasters had increased since May their forecasts for national growth, and all but one now predict higher real growth than they did last November 10. The consensus forecast for those 51 now is real GNP in 1988 will be 3.4 percent higher than in 1987. On June 23, Beryl Sprinkel, the chairman of President Reagan's Council of Economic Advisors, released the administration's new forecast of 3.5 percent real growth, year over year, up from their 2.9 percent prediction in February. Thus the White House and the Private sector economists now share similar expectations for 1988, with a widely accepted view that the nation's real output will grow at a somewhat higher rate in 1988 than the 2.9 percent realized in 1987.

We concur with the general outlook: our current prediction is 3.5 percent real GNP growth in 1988. That is a very realistic forecast, given the broad strength shown by the economy so far in 1988. As expected, export growth has been strong and consumer spending has grown at about the same pace as last year. The unexpected boost has come primarily from a surge in business firms' equipment purchases, likely to be up 15 percent in real terms this year, as businesses have rushed to increase production capacity and improve productivity.

Higher real output growth is pressing capacity in many industries and generally creating a very tight labor market. Those conditions, plus higher import prices due to the lower dollar and higher food prices due to the drought, are generating higher inflation. In 1987, the Consumer Price Index rose 3.7 percent. We predict the 1988 increase will be 4.5 percent; and in 1989, the inflation will be 5.1 percent.

The nation's 1988 uptick in real growth will not be sustained in 1989. Exports and business equipment purchases both will grow at lower rates, and concurrently consumers' real demand will increase at a slightly slower pace. Rising inflation and a continued tightening in monetary policy will push interest rates higher, reinforcing the deceleration in demand growth. We predict real GNP will grow by only 2.2 percent in 1989, sending the unemployment rate higher.

That national outlook is the background for our revised Virginia forecasts for 1988 and 1989, shown in Table IV on the back page.

Last November we predicted Virginia's growth would slow down quite noticeably in 1988. That deceleration appears to have been postponed until 1989. The 1988 performance now is expected to almost match the 1987 growth rates in key elements such as real (inflation-adjusted) personal income and payroll employment.

Virginia's 1988 growth is above expectations for three reasons. First, as described above, gains nationally are higher than predicted. Virginia will claim its share of that higher demand. Secondly, Virginia's 1987 increases, especially in employment and also in income, turned out to be larger than indicated by preliminary data. The upward revisions in both the levels and rates of growth for 1987 showed Virginia entered 1988 in a much stronger position than was apparent last November.

The third reason is the construction boom in Virginia has continued longer and stronger than we predicted. Construction employment rose 7.4 percent in 1987 instead of leveling off after mid-year. The strength shown in early 1988 points to another increase, probably rising to 190,000 workers for the year, a 4.4 percent gain. The high growth in nonagricultural employment has reinforced the current very high rates of population growth and household formation in the state, sustaining a high demand for new housing and consumer-oriented business structures. The high overall private sector growth in Virginia also has created demand for government construction, from highways and schools to public utilities and offices. Thus several interacting forces have worked to maintain Virginia's growth in construction and construction-related businesses in 1987 and on into 1988.

That very growth in construction is creating a problem for the future. Construction activity and employment are reaching an all-time cyclical high in Virginia, a level that cannot be sustained indefinitely even with the high rate of household formation in the state. There will be a downward adjustment in the near future. Probably not in 1988, but almost certainly in 1989. Thus construction activity will be a key factor in Virginia's very strong 1988 growth and also in the probable decelerating growth in 1989.

We predict the total personal income received by Virginia residents will be $96.4 billion in 1988, up 8.3 percent from 1987. Sounds impressive, and it is. But, the Consumer Price Index probably will rise by 4.5 percent. Adjusting for that rate of inflation leaves a gain in real income of 3.6 percent. That is very good real growth, above the national rate, but that is total state growth. The population and number of households dividing that income are increasing, too. On a per capita basis, we project a 1.8 percent rise in Virginias' real income in 1988; and the 1988 increase is only 1.3 percent on a per household basis.

The 1988 job outlook in Virginia, like the overall economic picture, is considerably stronger than anticipated last fall. Through April, the cumulative growth in payroll jobs compared to 1987 was 4.4 percent, and for the year we now forecast a 4.2 percent gain, equal to 113,000 additional employees. Aside from construction, there is substantial continuing strength in the private service-producing industries: trade, services, FIRE (finance, insurance, and real estate), transportation and public utilities. Job growth in such industries is decelerating - from 6.7 percent last year to a projected 5.5 percent this year. Even so, these industries will add 84,000 net new jobs in 1988. Virginia's problem increasingly is finding workers to fill the jobs available, rather than creating job opportunities for those seeking employment.

The year 1989 probably will see slower job growth in Virginia, 2.5 percent, stemming from a decline in construction and further deceleration of the growth of service-producing industries. Resident income growth will decline to a 7.2 percent rate, accompanied by a 5.1 percent inflation. Therefore Virginia real income will rise by only 2.0 percent. Population and household growth will moderate slightly, but the net result will be only a 0.5 percent increase in real income per capita and no real gain per household.

Virginia will avoid braking noticeably in 1988. But the national and state forces adding extra momentum this year will begin to dissipate by next year, pulling down the state's real growth rates. RLP

TABLE IV

VIRGINIA INCOME AND EMPLOYMENT
1987 PERFORMANCE AND PROJECTIONS
FOR 1988 AND 1989

	PERCENT CHANGE 1986-1987	1987 LEVEL	PERCENT CHANGE 1987-1988	1988 LEVEL	PERCENT CHANGE 1988-1989	1989 LEVEL
RESIDENT PERSONAL INCOME($ MILLION)	7.6%	$96,361	8.3%	$104,360	7.2%	$111,900
POPULATION	1.9%	5,904	1.8%	6,010	1.5%	6,100
HOUSEHOLDS	2.4%	2,175	2.3%	2,225	2.0%	2,270
INCOME PER CAPITA	5.6%	$16,321	6.4%	$17,364	5.6%	$18,344
INCOME PER HOUSEHOLD	5.1%	$44,304	5.9%	$46,903	5.1%	$49,295
REAL PERSONAL INCOME (MILLIONS OF 1982$, CPI-U DEFLATOR)	3.8%	$84,825	3.6%	$87,910	2.0%	$89,688
REAL INCOME PER CAPITA	1.9%	$14,367	1.8%	$14,627	0.5%	$14,703
REAL INCOME PER HOUSEHOLD	1.4%	$39,000	1.3%	$39,510	0.0%	$39,510
EMPLOYMENT(000s)	4.7%	2,678	4.2%	2,791	2.5%	2,860
MANUFACTURING(000s)	1.0%	429	1.4%	435	1.1%	440
MINING(000s)	-5.5%	16	-3.8%	15	0.0%	15
CONSTRUCTION(000s)	7.4%	182	4.4%	190	-6.8%	177
TRADE, SERVICES, TRANS. AND PUB. UTILITIES, AND FIRE(000s)	6.7%	1,523	5.5%	1,607	4.2%	1,675
GOVERNMENT(000s)	1.6%	528	3.0%	544	1.7%	553

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